HUMAN EVENTS

YOUR WEEKLY WASHINGTON REPORT

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Nationwide Recruiting Drive

High School Students Next SDS Target

From the Allen-Goldsmith Report

The sinister scheme of the aggressively revolutionary Students for a Democratic Society to extend its notorious rioting, violence and lawlessness on college campuses to high schools is making headway.

SDS organizing of this kind is making inroads in high schools in New York, Chicago, St. Louis, New Orleans, San Francisco and the heavily populated Maryland and Virginia suburbs of Washington, D.C. The latter largely white and affluent areas appear to be particular targets in the far-flung SDS plot to "activate" and "radicalize" high school students so they will be ready for "extremist agitation" when they reach college.

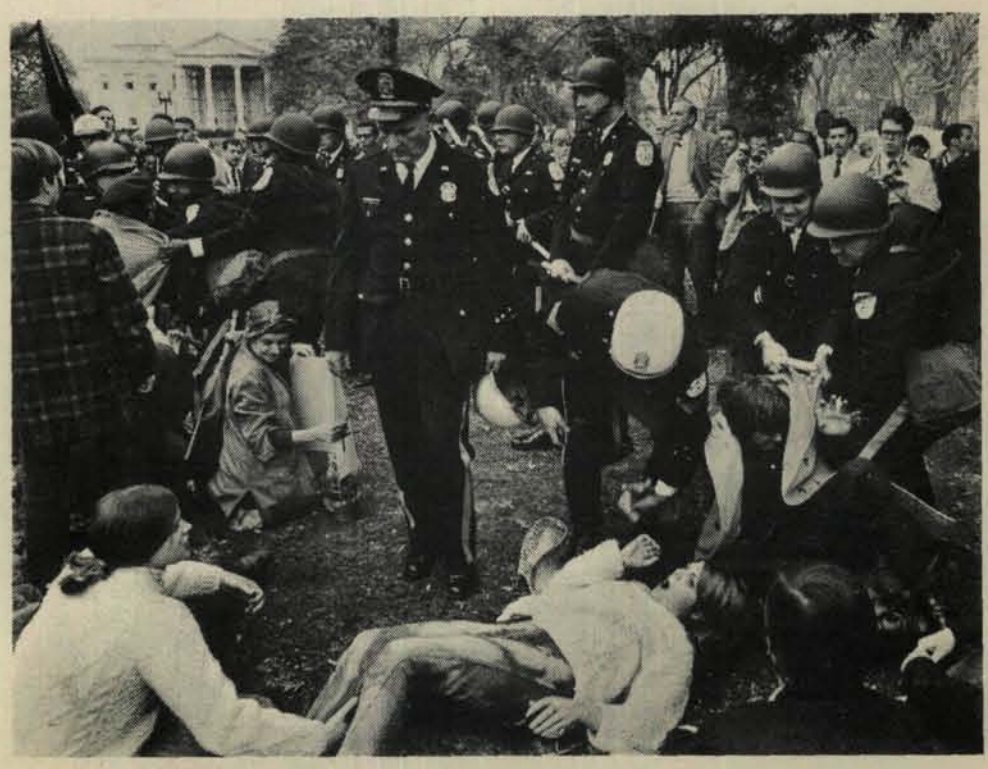
This nationwide drive to suborn high school students was approved at a meeting of the SDS' National Council at the University of Colorado, Boulder, Colo., in October.

It was decided to employ a special "coordinator" to direct this campaign. He has still not been selected.

College and non-student SDS chapters were instructed to actively cooperate in infiltrating high schools and organizing students. They were urged to take the lead in launching underground newspapers, conducting so-called "workshops" on the Viet Nam war and anti-draft propaganda, and staging demonstrations on civil rights and other headline issues.

After much discussion and wrangling, the SDS council adopted a resolution, of which the following are the principal highlights:

"One of the most important divisions of the American educational industry is the high school. This public institution affects the lives of 30 million Americans. The atmosphere of the high school is repressive, non-productive and inhuman. Instead of educating young people, the high school attempts to press upon them the bankrupt values of a decaying society.



Police break up an SDS rally in Lafayette Park just across the street from the White House. In this case, the SDSers were protesting the November elections. The militant group, sometimes using a disguised name, is now attempting to involve high school students throughout the country.

"We feel that high schools and the society which spawns need drastic change. Knowing that the school cannot change to the extent we want unless we change the system which uses it, we will organize in the high schools to move students to overthrow that system by confronting the issues that directly affect them."

Basically, these are the same tenets and tactics that underlie SDS revolutionary violence, lawlessness and disruption on college campuses. Now, SDS is undertaking to apply them to high schools.

In Chicago, a high school organizing "conference" was held in the University of Illinois Circle Campus with around 150 attending—most of them local high school students.

The stellar attraction was Mark Rudd, Columbia University SDS leader, who delivered a harangue and then conducted a question-and-answer period. Also a movie was shown of the Columbia rioting and violence in which Rudd played a prominent role. This propaganda movie is a key feature of SDS proselyting.

In St. Louis a college SDS organizer is directing a group of high school students in publishing an underground paper that has incurred the wrath of school authorities for indecency and defamation. Also being circulated there and in other cities is an increasing volume of SDS literature aimed particularly at high school students. Two examples are:

An article titled "High School Reform: Toward A Student Movement" by Mark Kleiman, identified as a California high school student; and a small leaflet titled "An Introduction: SDS. Our Struggle is Just Commencing." This is unsigned. With this leaflet is a copy of a mimeographed piece captioned "Freedom School, An Experimental School for High School Students."

This so-called Freedom School allegedly was held in Takoma Park, Md., last summer under the auspices of SDS for the purpose of training high school student organizers.

Jonathan Lerner, 20-year-old Antioch College dropout, who attended the Boulder, Colo., conference last October, is in the forefront of SDS high school organizing in the capital's Maryland suburbs. He boastfully claims that from 25 to 30 high schools in that area are 'SDS involved"—whatever that means.

"Most of our kids are white, middle-class and suburban," he proclaims suavely. "They run the gamut from McCarthyites to the New Left. They are definitely not moderates. The kids get in touch with us. They come to us in various ways, through word of mouth and by direct contact. We are now averaging several letters and several or more telephone calls a day."

Lerner admitted that in most high schools SDS operates under a different designation. "Kids are afraid of that name," he conceded. "It's got a bad connotation so they are leery of it. But we're able to take care of that in various ways."

One way that he carefully did not mention was trickery and deception—inveigling high school students to attend an innocent-sounding conference that apparently was being conducted by the highly reputable American University.

Actually, the university had nothing to do with the affair. As disclosed by this column, the so-called conference was an out-and-out SDS propaganda scheme. The leaflet advertising it listed a telephone number that was a complete give-away. This number was that of the SDS regional office.

Further, the site of the conference—the Kay Spiritual Life Center—is under the direction of Rev. Charles Rother, Methodist, who is a militant "peacenik," civil rights activist and long prominent in SDS-sponsored demonstrations and other activities.

Lerner's counterpart in Virginia is Larry Yates, 18-year-old University of Michigan dropout, who claims to be the top SDS organizer in northern Virginia. He is currently concentrating on densely populous Fairfax County, where he went to high school and personally knows many students.

"The main thing in this kind of organizing," he says knowingly, "is to hold weekly meetings at someone's house. It's important to gather and to 'rap' [expression for chewing the rag]. Lots of these meetings are a waste of time, but it keeps the kids together so that they will identify with each other.

"It is true that a lot of kids have a negative attitude towards SDS. They have read and heard too many wrong things about it. But they are slowly getting over that and getting turned on. We're making progress. The kids know we're around."

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NEWSPAPER

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Special Supplement

Life and Death of the Welfare State

By HENRY HAZLITT

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HUMAN EVENTS

YOUR WEEKLY WASHINGTON REPORT

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Capital Briefs

● The conservative influence on the Nixon Administration's legislative program was reaffirmed last week with the naming of Dr. **Arthur Burns**, President Eisenhower's Council of Economic Advisers chairman, to head a committee charged with drawing up a legislative program to present to Congress. Burns' chief assistant will be Dr. Martin Anderson, the articulate conservative who wrote the anti-urban renewal study, "The Federal Bulldozer." President-elect Nixon had previously named two other conservatives, former Ike aide Bryce Harlow and congressional staffer Bill Timmons, as his premier Capitol Hill liaison men.

● Pulitzer Prize-winning reporter **Clark Mollenhoff** is under consideration for a top Nixon Administration post: director of the U.S. Information Agency. Mollenhoff, a crusading newsman whose exposés won him the bitter antipathy of Robert McNamara and Arthur Sylvester, is reported willing to accept the Nixon post.

● The recently concluded convention of the **American Farm Bureau Federation** again put the large farm organization on record as favoring a gradual phasing out of federal farm controls and subsidies. However, with the Nixon Administration taking office, federation officials expressed optimism that its proposals would now find a sympathetic ear in the Department of Agriculture. The new federation phase-out proposal contains separate provisions for commercial and non-commercial (i.e., subsistence) farms, with both programs aimed at eventual end of federal control.

● Philadelphia's James Tate and Chicago's Richard Daley have joined the ranks of big-city mayors (including New Yorker John Lindsay) who support the nationwide **grape boycott** by ordering municipal agencies not to purchase California table grapes. The boycott is aimed at forcing unionization of California grape pickers.

● Black Panther leader **Eldridge Cleaver**, a fugitive from justice, last week forfeited $50,000 bail by failing to appear in an Oakland, Calif., court. Cleaver, who has been ordered back to jail as a parole violator, was due in court to set a date for trial on charges of attempted murder and assault with a deadly weapon. Cleaver, object of a nationwide hunt, is widely believed to have left the country.

● The **Institute for American Democracy** (IAD) has issued what it considers to be a rebuttal to the evidence turned up by the Church League of America to the effect that IAD is now, and has been since 1945, nothing but a front group set up by the B'nai B'rith's Anti-Defamation League (see Human Events, Dec. 7, 1968, page 3). The rebuttal, however, was little more than an attack on the league's director, Major Edgar Bundy, for his consistent anti-communism. The anti-conservative IAD paid scant heed to the charges of its complicity with the ADL.

● Rep. Brock Adams (D.-Wash.), the liberal dissident who is leading the fight to oust Speaker **John McCormack**, admits privately that he lacks the votes. Adams, a third-termer and member of the clandestine Democratic Study Group, wrote every Democratic colleague urging support of the McCormack challenge. The response, Adams concedes, was "disappointing." Nevertheless, Rep. Morris Udall (D.-Ariz.) has already announced his candidacy.

● The next "magical mystery tour" by **Sen Eugene McCarthy** may take him to Red China. Aides of the vanquished poet-politician report he is trying to obtain a visa through Chinese officials at the country's embassy in Canada. One of those helping in the negotiations is Harvard Prof. Martin Peretz, a frequent supporter of New Left causes. However, aides report that these discussions "were not far enough along" for plans to be made definite.

● The Ford Foundation has granted $3.5 million for the creation of a **Center for Community Change**, designed to help organize community-level anti-poverty groups and then to instruct them on how to get money from the federal government and private foundations. The center is essentially a composite of three extant groups, including the Citizens Crusade Against Poverty formed three years ago by auto union President Walter Reuther. Head of the new center is Jack Conway, a former AFL-CIO official who is considered close to Reuther. The center also has close ties to former aides of the late Sen. Robert F. Kennedy, including press chief Frank Mankiewicz and Burke Marshall, former assistant attorney general under RFK.

● The Oregon recount that **Wayne Morse** hoped would save his Senate seat was a bitter disappointment to the irascible, four-term Democrat. Republican Robert Packwood lost fewer than 200 votes in the statewide review and his election—by a 3,000-vote margin—was upheld. There is still an outside chance, however, that Judge Robert C. Belloni, whose promotion to the U.S. District Court was strongly pushed by Morse, may send the election to the U.S. Senate floor. Belloni is being asked to overrule state law and declare invalid the electronic balloting system used in four counties.

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'Great Society's' Last Gasp

Repudiated by the voters, "Great Society" planners are using the last weeks of this Administration to pour uncounted millions of dollars into their pet programs. The objective, one departing Democrat tells the Associated Press, is to "create plenty of momentum" to propel the programs past budget slashes in the early days of the Nixon Administration.

Typical was the $19-million grant announced for Seattle, Wash., last week under LBJ's Model Cities Program. It was the first time that the $500-million supplemental Model Cities fund had been tapped, but Administration sources said that other cities would be sharing in the largess in the last several weeks of LBJ's government.

Before Nixon takes over, they said, nearly a score of other cities could get multi-million hand-outs of their own.

Among them: Atlanta; Baltimore; Boston and Cambridge, Mass.; Charlotte, N.C.; Denver; Detroit and Highland Park, Mich.; Huntsville, Ala.; Portland, Maine; Portland, Ore.; Philadelphia and Reading, Pa.; St. Louis, Mo.; Smithville, Tenn.; Tampa, Fla., and Waco, Tex.

Administration officials admit frankly that the surge of funds "will have the effect of firmly entrenching the Model Cities program before the change in administration." According to the AP, "they believe Nixon and his lieutenants will feel compelled to continue allocations under standards set by the Democrats."

The momentum theory is being applied to other Administration programs as well. The Concentrated Employment Program, for instance, has been greatly expanded this month by Labor Secretary Willard Wirtz at an additional cost of unknown millions. And CEP contracts are being renewed—despite a plea from Budget Director Charles Zwick that Administration department heads leave to Nixon's team "decisions on moves, purchases and other actions . . . so that such action can be tailored as closely as possible to the new Administration's policies and programs."

Nixon has not publicly complained, but the GOP governors who met recently in Palm Springs said they were acting with his approval when they adopted a resolution accusing the Johnson Administration of rushing through "politically motivated" changes in government policies that would "hamstring and embarrass" the new President. The governors' ire had been raised by a Department of Health, Education and Welfare regulation that states and localities abandon most investigations of welfare applicants and instead accept a declaration of need. California Gov. Ronald Reagan, for one, says that the change, scheduled to take full effect July 1 unless Nixon reverses it, will cost his state alone $40 million.

The Yost Appointment

After toying with the idea of appointing a prominent Democrat to the post, President-elect Nixon instead settled on a little-known, non-controversial career diplomat to represent his incoming Administration at the United Nations. He is Charles Woodruff Yost, a 61-year-old professional who had 36 years in the Foreign Service behind him when he retired in 1966.

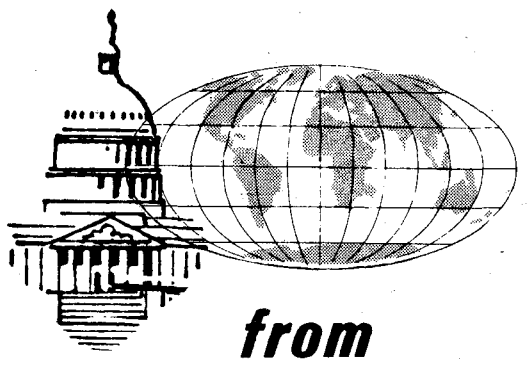
YOST

Most who know him describe Yost as a "real professional" and a good negotiator, although there are some detractors who find him to be a mild-mannered "Casper Milquetoast." Arthur Goldberg, under whom Yost served as deputy chief of mission at the U.N., says "there is no diplomat for whom I have a higher regard."

Capitol Hill conservatives have no opinion one way or the other on the Yost appointment, and see him as fitting in well with the "establishment-oriented" foreign policy team Nixon is assembling. Although Yost is a registered Democrat and last fall headed presidential candidate Hubert Humphrey's task force on international peace keeping, he has no reputation as an outspoken liberal and, like any good Foreign Service officer, has taken care to avoid controversial positions.

Nixon apparently selected a bland-but-competent U.N. ambassador with no personal following only after seriously considering—and then either rejecting

THIS WEEK'S NEWS



from

Inside Washington

or being rejected by—a more luminous appointee. The first to be offered the post was Vice President Humphrey, who turned it down almost immediately, as did New York Gov. Nelson Rockefeller.

The last "big name" on Nixon's list was that of Ambassador to France and Kennedy in-law Sargent Shriver. The only apparent obstacles to Shriver's appointment were his reluctance to forsake his political ambitions and pledge to remain at the U.N. for a full four years, and the objections of Nixon foreign policy adviser Henry Kissinger to having another "glamour boy" at the United Nations. So Shriver was reappointed ambassador to France and Charles Yost, anything but a "glamour boy," landed the U.N. spot "for the duration" of the Nixon Administration.

In making the announcement, Nixon described Yost as "a highly skilled negotiator, a man who knows the U.N. and is deeply dedicated to seeing it strengthened." The President-elect might have also added that Yost will fit in nicely with adviser Kissinger and Secretary of State-designate William Rogers, two eminent members of the "foreign policy establishment" already on the Nixon team. As U.N. ambassador, Yost will also sit in on Cabinet meetings and with the National Security Council when they discuss matters in his purview; however, Yost's policy-making role will be limited at first.

Two important attributes leading Nixon to the Yost appointment are his six years of experience, 1961-66, as deputy chief of the U.S. delegation at the United Nations, during which he picked up invaluable skill in navigating the intricate, often-muddied U.N. waters, and his intimate knowledge of the Middle East. Nixon is known to consider the Middle East the next potential world hot-spot and Yost, a former ambassador to the Arab nations of Morocco and Syria, is thought to be an expert in that area.

Expert Yost may be, but the fact of the matter is that only recently he took a position on Middle Eastern policy directly contrary to that of the President-elect.

During the campaign, Nixon said that the United States had an obligation to help Israel maintain military superiority over her Soviet-backed rivals. "I support a policy that would give Israel technological military margin to more than offset her hostile neighbors' numerical superiority," Nixon said.

If that requires Phantom F4 jets, which the Israelis believe they need to offset the Arabs' MIG fighters, "we should supply those planes so they can maintain that superiority," Nixon said.

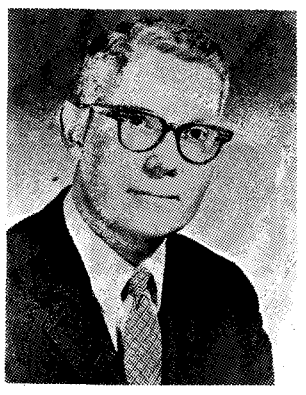
Yost, however, believes that the United States should refrain from aiding Israel. In an article in the current *Atlantic Monthly*, he says that until a "general settlement" has been reached between Israel and the Arabs, "the powers would be well advised firmly to resist pressures to supply to their friends aircraft or other weapons. . . ."

Battle for GOP Third Place

Two moderate conservatives from the nation's heartland are battling for the chairmanship of the House Republican Conference—No. 3 post in the party's House leadership.

Rep. John Anderson of Illinois, who had announced earlier for the job, was joined last week by Albert Quie of Minnesota. Three others who had considered the race—William Cramer (Fla.), Richard Poff (Va.) and John Rhodes (Ariz.)—have decided not to run. All three are classified as hard-line conservatives, while Anderson and Quie are thought more moderate in their philosophy.

Anderson boasts an 85 per cent cumulative rating from ACA, but was given only a 67 per cent conservative score for the last Congress. Quie, second-ranking Republican on the House Education and Labor Committee, has a 75 per cent cumulative rating



ANDERSON

QUIE

from ACA. His score for the last Congress was 70. Rep. Quie has long cherished a House leadership post and this desire was only strengthened by the appointment of his close colleague, Charles Goodell, to fill the vacant Senate seat from New York.

GOP liberals decided not to seek the conference chairmanship, apparently convinced that their chances were nil. New Jersey's Peter Frelinghuysen, who lost one race to Illinois' Les Arends for the job of GOP whip, was reportedly considering the race but decided not to risk a second defeat.

Rocky-Watchers' Speculation

Veteran Rocky-watchers are convinced that the New York governor's announced intention to seek a fourth term in 1970 is nothing but a smoke screen for other political activities he has planned. Why else, these skeptics ask, would Rockefeller break precedent by declaring his candidacy a full two years before the next gubernatorial election is to be held? Among the answers offered are these:

ROCKEFELLER

- Rocky's announcement let it be known that he, and no other Republican, is running the state party organization and intends to keep on doing so, in effect instructing President-elect Nixon to deal with the governor on state matters and no other New York politician.

- His early decision to seek re-election has the effect of preventing other prominent state Republicans—notably New York City Mayor John Lindsay—from making early maneuvers in an attempt to get the party nomination for themselves; even if he does finally decide not to run, Rockefeller will have successfully allayed the ambitions of other possible candidates and will be in a stronger position to hand-pick his own successor.

- By this action he has let the state legislature

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know it is not dealing with a lame duck governor, hence it will be less inclined to be independent and openly flout the governor's desires.

• Finally, there are many political observers who firmly believe that Rockefeller has not given up his desire to one day sit in the White House. By winning another term in Albany, Rocky would be in excellent position to take up the Republican banner if, for any reason, Richard Nixon did not run for re-election in 1972.

Rocky-watching has become something of a national pastime among politicians and the press, but with 10 years as governor of the country's most powerful state behind him, plotting the intricate political moves of Nelson Rockefeller is not an idle occupation. It is now obvious that the 60-year-old governor intends to stay on the scene for awhile, but for what purpose or in what capacity is the intriguing question.

Newest GOP Senator

The newest member of the U.S. Senate is Theodore F. Stevens, a liberal Republican selected last week by Alaska Gov. Walter Hickel to fill out the unexpired term of the late Democratic Sen. E.L. Bartlett. Stevens will serve the remaining two years of Bartlett's second term in the Senate.

STEVENS

The 45-year-old Stevens is currently majority leader of the Alaska House of Representatives and has twice before run unsuccessfully for the Senate. In 1962 he was defeated by Democratic Sen. Ernest Gruening and last August Stevens lost a primary bid to face Gruening once more; Gruening also lost the primary and Democrat Mike Gravel went on to defeat Republican Elmer Rasmuson in November.

The Stevens-Rasmuson primary battle this year was a head-on liberal-conservative confrontation, with conservative Rasmuson winning with over 52 per cent of the vote. Stevens campaigned as a "Rockefeller Republican" and frequently reminded GOP voters that he had opposed Barry Goldwater's 1964 presidential nomination and walked out of the San Francisco convention when the Arizonan easily won the honor.

However, with his benefactor, Gov. Hickel, slated to serve in the Nixon Administration as secretary of the interior, Stevens may think twice before opposing Nixon-backed legislation.

The Indiana-born Stevens has previous Washington service, having been an aide and counsel in the Interior Department late in the Eisenhower Administration. He will be Alaska's first Republican senator and his addition alters the Senate line-up for the 91st Congress to 57 Democrats and 43 Republicans.

Staged TV 'Police Brutality'

The President's National Commission on the Causes and Prevention of Violence heard eyewitness testimony last week that television newsmen faked at least two cases of police brutality during the Democratic National Convention. The testimony came from unimpeachable sources: U.S. Attorney Thomas A. Foran and Assistant U.S. Attorney James J. Casey.

Foran told of TV cameramen filming an apparent victim of police violence near the Conrad Hilton Hotel. But when the cameras stopped, the man threw away the bandage he had been holding at his head and strolled jauntily away.

Casey described another incident, in Lincoln Park, where two girls dressed in nurses' smocks were ministering to a prone victim. Again, when the television lights were turned off the victim walked away.

Foran also told of seeing a TV newsman light a bonfire in the middle of Michigan Avenue so that a demonstrator could burn a "Welcome to Chicago" sign in front of a dozen photographers.

School Funds Bankroll Radicals

Auditors for the California attorney general have discovered that school funds are being used to bankroll the seven-week strike at San Francisco State College.

The student government at San Francisco State College handles an annual budget of more than $400,000, the money coming from student fees, book store profits and other sources. Hardline radicals who control the 15-man governing body have dipped into the kitty to finance university turmoil.

A total of $37,500 has been earmarked this year for the Black Students Union and the Third World Organization, the two groups which vow to shut down the school "by any means necessary."

The student government also brings to campus speakers affiliated with the radical groups. On December 3, for instance, it paid $400 to black militant A. Cecil Williams for a lecture given at the so-called Ecumenical House—a site that acting University President S.A. Hayakawa describes as a "staging ground for revolution."

Williams delivered a fire-breathing speech supporting the strike, then endorsed the university check over to the Black Students Union. "It is my money, I'll do anything with it I want," Williams said.

President Hayakawa is drafting plans to sharply limit the student government's spending powers. He believes that the radicals who control the student government represent no more than 5 per cent of the student body and that it is a "travesty" for them to be using college funds to bring down San Francisco State.

Tijerina Wins Acquittal

Spanish-American militant Reies Lopez Tijerina is again stirring up the state of New Mexico following a surprising court jury ruling that acquitted the "brown power" advocate of three seemingly incontrovertible charges against him. Although there remain other legal actions pending against him, including one involving murder, the jury action has given Tijerina's crusade to regain land for his Spanish-American followers a powerful new impetus.

TIJERINA

The trial charges against Tijerina had stemmed from an incident in July 1967, when he led a band of his "Brown Berets" in a raid on a county court house; during the raid a state policeman and a jailer were seriously wounded and other officials were assaulted. Subsequently, Tijerina and his gang were all charged with counts of kidnapping, personal assault and "assault on a jail" and a mass trial was ordered; however, a judge later ordered Tijerina to be tried separately.

At his trial Tijerina claimed the raid was nothing more than an attempt to make a citizen's arrest of district attorney Alfonso Sanchez, whom the militant charged with blocking a rally by Tijerina's "Alianza." New Mexico officials, most of them Spanish-Americans themselves, had long been angered by Tijerina's grandiose claims (see *Human Events*, Dec. 9, 1967, page 8) that the United States owed his followers millions of acres of Southwest land that was "legally" theirs under Spanish-Mexican land grants and his great success in arousing the passions of the state's otherwise placid and well-integrated citizens of Mexican descent. Ironically, attorney Sanchez was later to conduct the prosecution at the Tijerina trial.

There was no question at the trial of whether or not Tijerina had committed the crimes alleged; the controversy concerned the defendent's claim he was prevented from making a citizen's arrest. Observers believe the trial swung on the unusual instructions to the jury given by Presiding Judge Paul Larrazolo, who said in part: " . . . citizens are entitled under the law to use whatever force is reasonably necessary to effect said citizen's arrest . . . to defend themselves in the process of making said citizen's arrest."

The jury unanimously concluded that Tijerina's kidnapping and assault activities fell under the "reasonably necessary force" category and acquitted him. Tijerina, quite expectedly, was exuberant, claiming the jury instructions were "a breakthrough," and was busily plotting new and bolder activities for his Alianza.

One possible barrier in Tijerina's future concerns a vicious bludgeoning the court house jailer received during the raid. Before he died, six months later, jailer Eulogio Salazar identified Tijerina as his assailant. It would seem another rather strong case, but in the wild world of Reies Lopez Tijerina, nothing is certain.

A Rose Is a Rose...

In a supposed effort to combat "prejudice," a group of United Nations "experts" is urging sweeping revision of the terminology used by teachers, mass media and others dealing with race. The recommendations are contained in a study made by a group of ten who assembled in Paris at the invitation of the United Nations Educational, Scientific and Cultural Organization.

As a result of these enlightened findings, we are told that words such as Negro, primitive, savage, backward, colored, bushman and uncivilized should be banned as either "contemptuous, unjust or inadequate." The report warns that even the term "race" must be used with extreme care and that "tribe" should be employed as sparingly as possible. A native, it cautioned, should be termed "inhabitant" and instead of "paganism" a more precise word like "animism" might be better.

There is no such thing as a "jungle," of course, but a "savanna," and countries are not "underdeveloped" but "developing."

While the panel members unquestionably meant well, some reporters wonder how they would have covered the many crises that have broken out in Africa over the past several years if they had been under UNESCO's strictures. Perhaps the stories about savages massacring people would have read something like this: "Several thousand culturally deprived inhabitants of a savanna in a very developing area in Africa caused a minor disturbance today when they playfully ran amuck and dispatched two hundred souls to the Elysian fields. . . ."

Setback for Tax-Paid Agitation

A Boston judge has sharply rebuked federally supported lawyers who are "advising" militant demonstrators in their protests.

"Federal money should not be used to promote unrest in this country," said Chief Justice Elijah Adlow of the Boston Municipal Court. "I am afraid too much of it already has."

Adlow spoke out during the trial of Richard A. Seid, a young lawyer arrested during a November 14 sit-in by students and welfare mothers at the Massachusetts State House. Seid, a representative of the federally financed Boston Legal Assistance Project, was charged with participating in the demonstration.

Judge Adlow found Seid guilty of trespassing and conspiring to obstruct the orderly administration of public business and fined him $20. Dismissing Seid's claim that he was just advising his clients, Judge Adlow said:

"Next lawyers will be driving getaway cars at bank robberies. We are not going to have law and order if we have lawyers tailing these groups."

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HUMAN EVENTS
YOUR WEEKLY WASHINGTON REPORT

SPECIAL SUPPLEMENT

Life and Death of the Welfare State

By Henry Hazlitt

Chapter I

INSTANT UTOPIA

In America today the older generation stands appalled at the cynicism and nihilism of the self-styled Now Generation and its demands for unattainable reforms, or merely for the sheer destruction of whatever is established.

But the cynicism, nihilism and revolt of "youth," and even of many of its parents, are the result of a common cause. In the last generation politicians and governments have been promising the voters that they could not only bring perpetual full employment, prosperity and "economic growth," but solve the age-old problem of poverty overnight. And the end result is not merely that accomplishment has fallen far short of promises, but that the attempt to fulfill the promises has brought an enormous increase in government spending, an enormous increase in the burden of taxes; chronic deficits, chronic inflation, and a constant loss in the buying power of the people's earnings and savings. "Social Security" has brought an ominous increase in social insecurity.

Another result of the promise of instant utopia has been a gigantic growth of governmental power—of interference in the details of everybody's business and everybody's life. As this power has increased, it has also become concentrated in fewer and fewer hands. In America the towns and villages have steadily lost power to the states, the states to the federal government, and Congress to the President.

One mark of the welfare state everywhere has been the gathering of power into the hands of one man. This is no mere unfortunate coincidence; it has been inevitable. Thirty-five years ago the eminent Swedish economist Gustav Cassel explained in a prophetic lecture how "planned economy," long enough continued, must lead to despotism:

"The leadership of the State in economic affairs which advocates of Planned Economy want to establish is, as we have seen, necessarily connected with a bewildering mass of government interferences of a steadily cumulative nature. The arbitrariness, the mistakes and the inevitable contradictions of such policy will, as daily experience shows, only strengthen the demand for a more rational coordination of the different measures and, therefore, for unified leadership. For this reason Planned Economy will always develop into Dictatorship."

The succeeding chapters explain in detail the ideology and methods behind the present inflation and aggrandizement of state power, the conditions to which it has led and, finally, the solutions we must apply if this sinister threat—not only to the economic future of the American people but to the future of civilization itself—is to be averted.

Chapter II

SALVATION THROUGH GOVERNMENT SPENDING

In the early 1930s, in the depth of the Great Depression, the theory became fashionable that the cause of all depressions was lack of purchasing power. The people just did not have enough money, and because of unwarranted pessimism they were refusing to spend enough even of what they had. The solution was therefore simple: at such a time the government should boldly increase its own spending, "prime the pump," and "get things moving again."

Naive advocates of this theory assumed that more government spending was the whole answer. The more sophisticated advocates saw that the increased spending would not give people more purchasing power if the government kept the budget balanced and took it all away again in higher taxes. The thing to do was to spend more *without* taxing more. The trick, in other words, was deliberately to unbalance the budget—to run a deficit.

Most of the champions of deficits—including the great John Maynard Keynes himself, the theory's chief architect—at least publicly professed to believe that the required deficit could be financed by selling bonds directly to the public, to be paid for out of savings. But again, the more sophisticated deficiteers must have seen that a man who buys a $1,000 bond out of his savings surrenders that much purchasing power for the life of the bond. In short, he loses just as much buying power as the government gains. On net balance, no new buying power has been created.

How, then, can the government "create" new purchasing power? It can do so only if it "sells" its bonds to the banking system, and if the banks "pay" for them by creating deposit credits on their books in favor of the government. This leads to an increase in "the money supply"—that is, an increase either in the amount of currency or of demand bank deposits.

If the government's new bonds are sold direct to member banks, there tends to be a dollar-for-dollar increase in the money supply as compared with the amount of new bonds. But if the government's securities get into the hands of the Federal Reserve Banks, they are used to create what is called "high-powered" money. This can lead to the creation of about $6 of new money for every dollar of new government securities.

Thus new "purchasing power" is brought into being. Thus people have more money to buy more goods, create more jobs, stimulate more output, and restore prosperity.

At least so it seems for the moment. But soon, there are other consequences.

If there has been heavy unemployment and much "idle capacity," the new monetary purchasing power in the system, by increasing the demand for commodities, may indeed lead to an increase in production, and hence to an increase in employment. This has been hailed as the great Keynesian contribution to economic theory and policy. But there are fatal flaws in it.

Unless there were some serious discoordination of prices, costs and wages, mass unemployment would not exist in the first place. When it does exist, the only appropriate cure is individual adjustment of prices, costs and wages to each other—the return of coordination. But this can be brought about auto-

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matically if only the competitive forces of the market are given free play.

The reason the Keynesian medicine can work—under special conditions and for short periods—is that by increasing monetary demand and prices it may increase both sales and profit margins, and so restore production and employment. Yet this could be done even more effectively—and without the poisonous side-effects and after-effects—by restoring freedom of competition and individual coordination of prices and wages.

The Keynesians think in terms of aggregates. Their remedy is to increase the total money supply, and thereby to bring the price "level" sufficiently above the wage "level" to restore or maintain profit margins and so keep the wheels of industry spinning at full speed.

This remedy is defective in two respects. It tacitly assumes that there is a *uniform* discrepancy between prices and wages and a *uniform* percentage of "idle capacity" throughout industry. Neither is true. If "industry" is estimated to be operating at 80 per cent of capacity, we must remember that this figure is at best an *average*. It may cover a situation in which, say, industry A is operating at only 60 per cent, industry B at 63 per cent, and so on up to industry M at 97 per cent and industry N at 100 per cent. If we try to expand the money supply enough to return industries A and B to full capacity we may completely "overheat" industries M and N and produce serious productive distortions and bottlenecks.

What is more, an increase in the stock money, contrary to Keynesian theory, will begin to force an irregular increase in prices long before "full capacity" has been reached and the "slack" taken up—if only for the reason that the "slack" is never uniform throughout industry. In a very short time, also, with the increase in prices and the increase in the demand for labor, wages will start climbing too. Then, if the previous trouble was that most wages were already too high in relation to most prices, there will again be discoordination between wages and prices; and the Keynesian prescription will call for still further doses of government spending, deficits and new money.

So the Keynesian medicine must lead to chronic deficits and chronic inflating of the money supply. This is precisely what we have had. It is no accident that we are now running our ninth annual deficit in succession, and that we have had 32 deficits in the last 38 years. It is no accident that the U.S. money supply (currency plus demand deposits) has been increased more than fivefold—from $36 billion at the end of 1939 to $185 billion. And so it is no accident that, in spite of a tremendous increase in industrial production in the 30-year period, prices have increased (to July 1968) by 174 per cent.

Today the federal government is spending in a single year *256 times as much* as in the fiscal year before the outbreak of World War I. The recent increase in annual spending is being attributed by government spokesmen to the cost of the war in Viet Nam. Yet though in 1969 scheduled national defense expenditures are $36.6 billion greater than in 1960, total expenditures are $96.4 billion greater. This means that nondefense expenditures alone have increased $59.8 billion in the same period. It is the determination to impose the welfare state, not the war, that has led to this incredible squandering.

A central fallacy of Keynesianism as of all inflationary nostrums is that they chronically confuse "income" in terms of paper money with real income in goods and services. It is possible to increase paper-money income to any amount by debasing the currency. But real income can only be increased by working more efficiently, saving more, investing more, and producing more.

So let us not be too impressed by politicians who constantly cite the increase in dollar income, in dollar "gross national product," to show that we never had it so good. In Italy today, as a result of past inflations, it takes 624 lire to buy an American dollar. So anyone in Italy with an annual income or even total property worth more than $1,600 American dollars is already a millionaire in his own currency.

Chapter III

CONSEQUENCES OF DOLLAR DEBASEMENT

Let us begin by recalling two comparisons already mentioned. From the end of 1939 to the middle of 1968 the United States stock of money (hand-to-hand currency plus demand bank deposits) has been increased more than fivefold—from $36 billion to $185 billion. In the same 30-year period (in spite of a huge increase in industrial production) prices of goods and services have increased by an average of 174 per cent.

This debasement of the dollar has resulted in a succession of problems, including a chronic "deficit" in the American balance of payments.

The "balance-of-payments problem" has arisen not merely because of our domestic inflation but of the combination of this with the so-called "gold exchange" standard and the world monetary system set up at Bretton Woods in 1944. Under that system each government undertook to keep its own currency unit within 1 per cent of parity in either direction by buying or selling that currency against other currencies in the foreign exchange market. In addition, the U.S. government undertook to make the dollar the world's "reserve currency" and anchor currency by guaranteeing to keep it convertible at all times (for foreign central banks, but not for its own citizens) into gold at the fixed price of $35 an ounce.

Though only central banks, and neither American nor foreign private citizens, have the right to ask for this conversion, keeping the dollar convertible into gold at the fixed price has proved increasingly embarrassing to our monetary authorities, especially since 1957. During the last decade we have been sending or spending abroad for various purposes—to pay for imports, for foreign aid, and for the support of our armed forces in Europe and in Viet Nam—billions of more dollars each year than we have been getting back in payment for our exports and earnings on our capital invested abroad.

This excess of outgoing dollars is called the "deficit" in our balance of payments. From the end of 1957 to the end of 1967 this deficit has run at an average of $2.8 billion a year. At the end of this year the cumulative total will be in the neighborhood of $30 billion.

As a result, our monetary gold stock had fallen from $22.8 billion at the end of 1957 to only $10.4 billion in July 1968. Against these reduced gold reserves the U.S. had liquid liabilities to foreign official institutions of $15.2 billion, plus short-term liabilities to private foreigners of $15.7 billion—a total of nearly $31 billion.

In much discussion our dollar liabilities to private foreigners are not counted as a potential demand on our gold reserves because private banks, firms and individuals cannot directly demand gold for their dollars. But under the IMF agreements they can always indirectly sell their dollars at par to their respective central banks.

In sum, against U.S. gold reserves of only about $10 billion there are three times as many potential foreign dollar claims for gold.

As our gold has drained out, and as foreign dollar claims against it have mounted, the blame has been put on this "deficit" in our balance of payments. But instead of dealing with the main cause of this deficit—domestic inflation—our governmental authorities have allowed the inflation to go on, and have even increased it, while trying to stop the symptom. They have treated the deficit in the balance of payments as itself the problem, and have adopted desperate measures to try to halt it by direct controls.

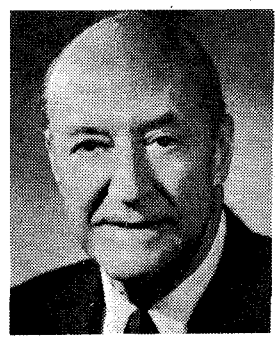
Their first major control, imposed in 1964, was a penalty tax on purchases by Americans of foreign securities. To make such foreign investments the culprit responsible for a balance-of-payments deficit was not only arbitrary but implausible on its face. In the five years 1958 to 1962 the aggregate net outflow of $16.6 billion for new foreign investment was offset by $15.4 billion of income from previous investment. Even the then secretary of the treasury, who had asked for the penalty tax, conceded: "In the long run the outflow of American capital to foreign countries is more than balanced by the inflow of income earned on that capital."

He urged the tax, in fact, "only as a temporary measure to meet our problem pending more fundamental solutions." Of course the more fundamental solutions were never adopted, so the "temporary" security tax was not only renewed, but on Jan. 1, 1968, the President in addition imposed mandatory controls on direct investments by American corporations abroad.

The implication of these measures is that our private foreign investment has been one of the chief causes of the deficit in our balance of payments. This is clearly untrue. It is federal spending, through foreign aid and military outlays, that has been in deficit. In recent years the private sector as a whole, as a result of export surpluses and income on private investments abroad, has continued to generate a payments surplus.

About the Author

H.L. Mencken once said of Henry Hazlitt, "He is one of the few economists in human history who could really write."



Henry Hazlitt has been a prolific writer in diverse fields—literary criticism, philosophy, politics, economics and finance. Ever since he began his career in 1913 as a reporter for the **Wall Street Journal**, however, his dominant interest has been in economics and finance.

He wrote the financial letter for a New York bank, served on the staff and as financial editor of three early New York papers, all before he became Literary Editor of the New York **Sun** in 1925, of the **Nation** in 1930, and in 1933 succeeded H.L. Mencken as Editor of the **American Mercury.**

In 1934 Hazlitt joined the New York **Times**, where he wrote most of its financial and economic editorials and later the signed Monday financial column. Twelve years later, in September 1946, he became the writer of the Business Tides column for **Newsweek.**

From 1941 through 1944, Hazlitt served as a member of the editorial board of the Phi Beta Kappa quarterly, **The American Scholar.**

Mr. Hazlitt has twice received a George Washington Honor Medal from the Freedoms Foundation—most recently for a column entitled "Profits Mean Jobs."

Hazlitt is the author of several books, among them **Economics in One Lesson, Will Dollars Save the World?** and **What You Should Know About Inflation.**

This South African woman is busy checking thousands of gold bars in Pretoria. Although individuals cannot redeem their paper money for gold, foreign governments can—and do—thus contributing to the precarious U.S. fiscal position.

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In 1967 our total new foreign investments—including bank loans, purchases of foreign securities, and direct investments in factories and sales facilities—amounted to $5.5 billion. But the income from these and earlier private investments came to $6.2 billion.

At best, then, all these foreign investment restrictions and prohibitions are shortsighted. Any reduction we make in new foreign investment today means a corresponding reduction in investment income tomorrow.

If the federal government, instead of picking foreign investment as the culprit chiefly responsible for our balance-of-payments deficit, had put punitive tariffs on the further import of foreign luxuries—liquors, wines, perfumes, jewelry, furs and automobiles—its action would still have been a mistake, but much less damaging to our future economic strength. These tight curbs on direct foreign investments by American corporations must severely hamper their ability to compete successfully with other international corporations in Europe and the rest of the world.

The President's own Economic Report of 1967 pointed out that: "U.S. investment abroad generates not only a flow of investment income but also additional U.S. exports. From a balance-of-payments point of view this is an additional dividend." The U.S. Department of Commerce found, in fact, that in 1964 $6.3 billion, or 25 per cent of our total exports in that year, went to affiliates of American companies overseas.

It is hardly too much to say that direct foreign investments, with the exports and income to which they give rise, are the greatest single source of long-range strength in our balance-of-payments position.

Still worse, from the standpoint of their direct restriction on personal liberty, were the proposals (fortunately not yet enacted) to have Congress impose practically prohibitive penalty taxes on Americans travelling abroad.

The whole effort to eliminate our balance-of-payments deficit by direct controls over arbitrarily selected individual items is doomed to failure. Such controls may succeed in changing the relative amounts of different items, but cannot change the end result. At best we can make our immediate balance of payments look better at the expense of our future balance. We cannot unilaterally cut down our purchases or travel or investments abroad without also cutting down our sales abroad and our investment income from abroad. In his Economic Report of 1968 the President himself conceded that "by provoking retaliation" we may "reduce our receipts by as much as or more than our payments."

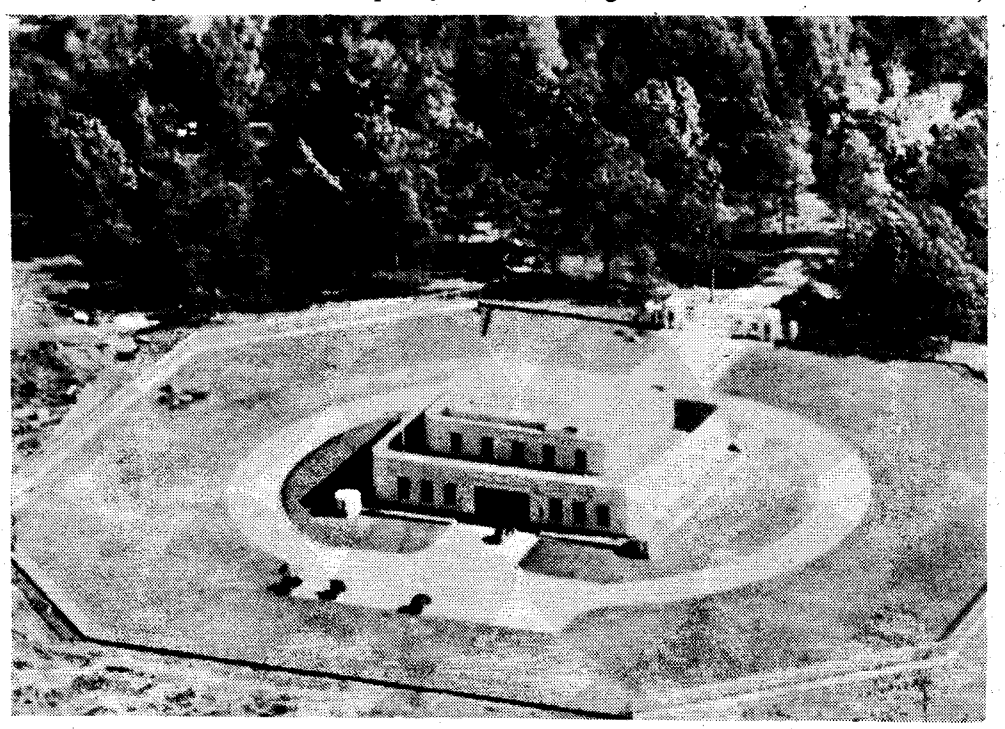
The whole so-called "balance-of-payments problem" would never have arisen except under the arbitrarily contrived International Monetary Fund gold-exchange system set up at Bretton Woods in 1944.

It could not exist if the United States and other countries were on a pure "floating" paper standard with rates fluctuating daily in a free market, because under such a system the fluctuations would themselves set in motion the self-correcting forces to prevent unwanted deficits or surpluses from arising. Nor could the balance-of-payments problem exist if the United States and other leading countries were on a full gold standard. A "deficit" in the balance of payments would then lead to an immediate outflow of gold. This in turn would lead to immediately higher interest rates and a contraction of currency and credit in the "deficit" country, and the opposite results in the "surplus" countries, and so bring the so-called deficit to a halt.

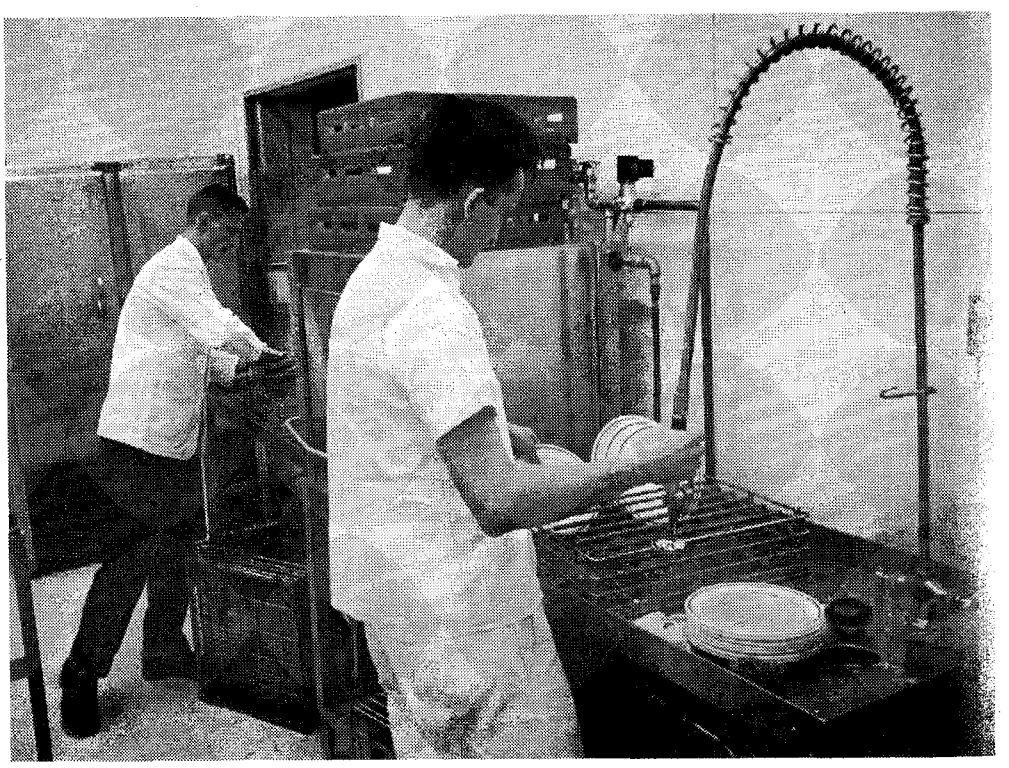
Under the Bretton Woods system and the "gold exchange" standard, however, no self-correction of this sort is allowed to take place. When we "lose" paper dollars abroad we simply print more at home to take their place. And when Europe gains these dollars they find their way into the central banks, where they become additional "reserves" against which the European governments issue still more of their own currency. Thus further world inflation, in both the "deficit" and the "surplus" country, seems to take place automatically.

In the IMF system there are no freely fluctuating market rates for individual currencies to reveal and correct international imbalances. Market rates are not allowed to fluctuate by more than 1 per cent above or below parity. At that point each government is obligated to buy or sell its own or foreign currencies to prevent any further departure from parity.

These currency-pegging operations are supplemented by the so-called gold-exchange standard. This arrangement, which goes back to international agreements in 1921 and 1922, permits central banks to count not only their gold but their holdings of dollars (and of British pounds) as part of their reserves. The arrangement was adopted in the belief that there was a "shortage of gold" and a "shortage of international liquidity." As a result the world's monetary "reserves" today consist of about $42 billion in gold *plus* about $28 billion of "reserve currencies," of which more than $15 billion are American dollars. As credit and other currencies are issued against these reserve currencies, reserves themselves are inflated.



Fort Knox, Ky., is the storehouse of what's left of the nation's gold.



One of the problems of minimum wage rates is that they freeze out many younger people who could be gainfully employed rather than walking the streets.

The real reason the American monetary authorities fear a continued "deficit" in the balance of payments is that they have given the central banks of other countries the right to demand gold for their dollars at $35 an ounce. They have seen more than half our gold reserves flow out in the last 11 years, and they are fearful of losing any more.

They long ago prohibited American citizens from holding or asking for gold. In the last few years they have resorted to increasingly desperate expedients. Where possible, they have brought political pressure on foreign central banks to keep them from asking for gold for their dollars. Early in 1968 they stopped feeding out gold to hold down the price in private markets in London, Paris and Zurich. They now try to maintain an inherently unstable two-price system, with official monetary gold at $35 an ounce and non-monetary gold free to sell at whatever price supply and demand fix.

Early in 1968 the Administration also got Congress to abolish the remaining gold-reserve requirement of 25 per cent against Federal Reserve notes, on the plea that this was necessary to reassure foreign central banks by making all remaining U.S. gold holdings available to them. But what this action really did was to remove the last legal limitation on the amount of paper money that the Federal Reserve system may issue.

Finally, the American government has pressed for the creation by the International Monetary Fund of "special drawing rights," SDRs, or "paper gold," to "supplement" dollars as international reserves. The only thing this purposely complicated scheme would do would be to adulterate reserves still further to make it possible for nations to issue still more paper money against these paper SDRs which are declared with a straight face to be just as good as gold if not better.

All these schemes are unsound, and in the end all of them will prove futile. The truth is that no solution of the monetary problem, national or international, will be possible until inflation is stopped, and that it will not be stopped as long as we have the welfare state.

Chapter IV

THE MIRAGE OF HIGH WAGE-RATES

It ought to be obvious that minimum-wage laws hurt most the very people they are designed to "protect." When a law exists that no one is to be paid less than $64 for a 40-hour week, then no one whose services are not worth $64 a week to an employer will be employed at all. We cannot make a man worth a given amount by making it illegal for anyone to offer him less. We merely deprive him of the right to earn the amount that his abilities and opportunities would permit him to earn, while we deprive the community of the moderate services he is capable of rendering. In brief, for a low wage we substitute unemployment.

Yet we initiated the folly of a federal mimimum wage law 30 years ago, and we have been compounding that folly ever since. The first Labor Standards Act of 1938 fixed a minimum wage of 25 cents an hour. This was raised to 30 cents in 1939, 40 cents in 1945, 75 cents in January 1950, $1 in March 1956, $1.15 in September 1961, $1.25 in September 1963, $1.40 in February 1967 and $1.60 in February 1968.

In 1938 the average hourly wage in manufacturing industries was 62 cents an hour. In January 1968 it was $2.74 an hour. But our legislators, in their wisdom, have decided that it is not enough to keep raising the statutory minimum every few years to keep abreast of what the natural economic forces are already doing to raise wages, but to keep raising the *proportion* that the legal minimum bears to the prevailing market average.

Thus the statutory minimum was only 29 per cent of average hourly earnings in manufacturing just before the increase in 1950, but 40 per cent before the increase of the minimum in 1956, 43 per cent before the increase in 1961, 47 per cent before the increase in 1963, and 54 per cent before the increase in 1968. The consequence of this is that the legal minimum wage was pushed up 114 per cent between early 1956 and 1968, though average hourly earnings in manufacturing rose only 55 per cent. Meanwhile, the federal minimum wage has become effective over a far greater range.

The net result of all this has been to force up the wage rates of unskilled labor much more than those of skilled labor. A result of this, in turn, has been that though an increasing shortage has developed in skilled labor, the proportion of unemployed among the unskilled, among teen-agers, females and non-whites has been growing.

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The outstanding victim has been the Negro, and particularly the Negro teen-ager. In 1952 the unemployment rate among white teen-agers was 11.6 per cent, but among non-white teen-agers it had soared to 26.6 per cent.

In addition to the direct harm done by the minimum wage in creating unemployment among the unskilled, it must bear at least part of the blame for the recent riots in the cities where the unemployed are concentrated.

Negroes Hit Hardest

The statistical evidence showing that the minimum wage has caused unemployment among Negroes and the unskilled is extensive. It is gratifying to report that some of the country's outstanding academic economists—Professors Yale Brozen, Arthur Burns, Milton Friedman, Gottfried Haberler, James Tobin, to mention a few—have gathered this evidence and presented a conclusive case against a statutory minimum wage. Yet successive administrations and Congresses have persistently refused to accept their logic or to face the glaring facts.

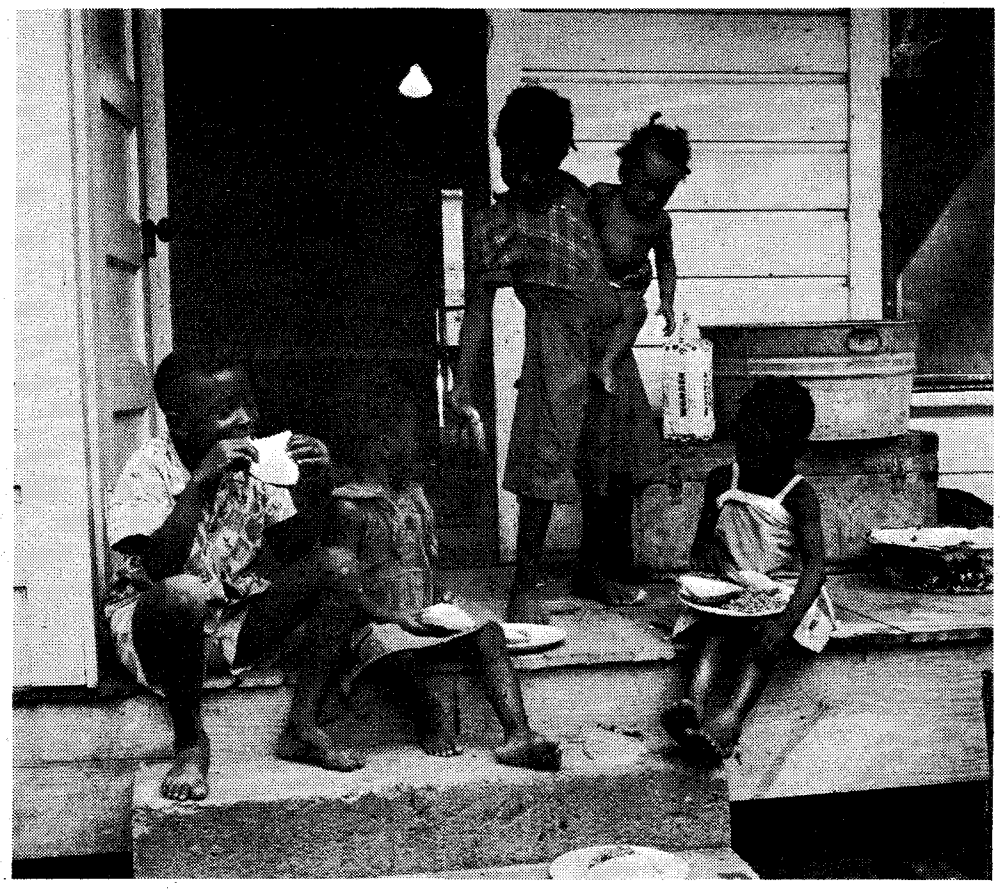
There are other labor laws, antedating the minimum wage, that have had even worse consequences. In the early 1930s the theory grew up that wages were too low and workers were exploited because there were not enough unions and those that existed had too little bargaining power. The proposed remedy for this was to create more and stronger unions, and the way to do that was to forbid employers to discriminate against union workers in hiring, promoting, or granting wage increases. Therefore in 1935 Congress passed the Wagner Act, which gave unions the right to "bargain collectively through representatives of their own choosing" and prohibited employers from engaging in a whole list of "unfair labor practices."

The act was completely one-sided, hypocritical and self-contradictory. On the one hand, it pretended to be two-sided by making it an unfair labor practice "by discrimination in regard to hire or tenure of employment or any term or condition of employment to *encourage or discourage* membership in any labor organization." But immediately following this was a provision declaring that "nothing in this act . . . shall preclude an employer from making an agreement with a labor organization . . . to require as a condition of employment membership therein." In brief, the law prohibited an employer from discriminating against union members, but permitted and encouraged (and often in fact compelled) him to discriminate against non-union members.

The Wagner Act proved so viciously one-sided in practice that in 1947 Congress amended it in the Taft-Hartley Act. But the Taft-Hartley Act, contrary to popular impression, changed little of substance. And the National Labor Relations Board has successfully ignored or circumvented the provisions that did.

The factual situation today is that the compulsory union shop can be forced on employers and workers in the majority of the states. If a union makes an exorbitant demand, the employer cannot simply refuse to meet it. He is compelled by the Taft-Hartley Act to keep "bargaining" with that union and no one else. If he announces that he will regard strikers as having quit their jobs, and will carry on his business by hiring workers to replace them, his plant will be surrounded by pickets to intimidate anyone who thinks of passing through. And because of the legal roadblocks set up by the Norris-LaGuardia Act of 1932, he will probably be unable to get injunctive relief in the courts even from crippling vandalism and violence.

BLACK STAR



The poor Negro, in whose name so much federal money is spent, is actually one of the chief victims of the nation's inflationary monetary policies.

The "right to strike" is interpreted today not merely as the right to quit work, but the "right" forcibly to prevent others from taking the jobs that the strikers have voluntarily vacated.

Effects of Taft-Hartley

The Taft-Hartley Act, amending the Wagner Act, specifically provided that "to bargain collectively . . . does not compel either party to agree to a proposal or require the making of a concession." But the employer is in fact compelled to make concessions. He is compelled to make them because unions today enjoy a special license to keep a plant closed by intimidatory mass picketing until their demands are met.

If an employe does somehow succeed in keeping his plant open, and peaceably replacing strikers to carry on his business, the NLRB is likely to come along years later, as it has done time and time again, and rule that by finally ceasing to "bargain" with the original union that struck he violated the Taft-Hartley Act and must therefore re-employ the original strikers, with retroactive pay to cover the period of their unemployment.

Yet this factual situation is ignored by practically everybody as if it did not exist. When a particularly outrageous or disruptive strike halts vital services, and a few congressmen begin to demand compulsory arbitration, they are told that the government should not intervene but allow the processes of "free collective bargaining" to continue.

It is true that compulsory arbitration is not the solution. But it is not true that the "collective bargaining" taking place is "free." The government is in fact intervening every day through its one-sided laws. It is already a participant on the side of the striking union. It is granting special immunities to the union to use intimidation and violence. It is putting special compulsions on the employer to yield to the demands of the union, or to grant costly concessions, for fear of the even more costly or perhaps mortal penalties if he breaks off negotiations with the union members on strike and decides to employ replacements.

By the Norris-LaGuardia Act of 1932, by the Wagner Act of 1935 and the Taft-Hartley amendments of 1947, by loaded decisions pouring out daily from the National Labor Relations Board, and by the failure of local authorities to provide adequate police protection to employers and workers trying peaceably to carry on a struck business, we are daily forcing up wage rates to points that threaten to bring the economy to a halt, unless more money is printed so that demand, prices and profit-margins can keep pace.

For 30 years we have been in an unending race between the printing press and the demands of the labor unions. Instead of showing any signs of slowing to a halt, the race is becoming more determined and more desperate on both sides.

Chapter V

PRICE CONTROLS

When the welfare state spends recklessly, runs chronic deficits, expands credit, and prints more money, prices begin to soar. Invariably the government blames business, especially Big Business, and hints darkly at price controls.

But being a self-styled "liberal" government it begins by suggesting only "voluntary" controls. It draws up "guidelines." Prices of course continue to rise, because the government is printing more money, thereby reducing the value of the currency unit.

The government's next step is to select as its special target some big corporation (or industry consisting mainly of big corporations) and demand that it roll back some price increase it has just announced. The big corporation is selected for attack, of course, because it is easy to arouse popular prejudice against it. It can either be denounced as a monopoly or accused of "administering" prices.

The favorite scapegoat in the United States for the last 20 years or more has been the steel industry. Though the total value of the steel produced yearly in this country amounts to only 2 per cent of the Gross National Product, the government, whenever it attacks steel prices, contends that steel enters into a multitude of products, that a steel price increase is "pyramided" throughout industry, and so sets off a chain reaction of inflation. This argument will not bear serious analysis, but is good enough for propaganda purposes.

Incomplete Index

One minor irony is that though the government publishes a monthly index of consumer prices, and a monthly index of wholesale prices, and that though the former is a weighted average of some 400 selected prices and the latter a weighted average of some 2,000 prices, the monthly government report never tells the reader just how many of these prices rose and how many fell in the month reported. It is true that it sometimes gives partial enumerations. Thus, in its report on wholesale prices for March 1968, it tells us: "Prices were higher for 110 of the 225 industrial product classes; there was no change for 85 and declines occurred for 30." But if it told us that of the 2,000 individual prices it records of all items, about 1,000, say, went up in a given month, 740 were unchanged and 260 declined, the public would instantly see the absurdity as well as the injustice of the government's selecting one price rise among 1,000 price rises, or even a price rise in one industry out of price rises in 110 industries, for special denunciation and attack.

A rise of nearly all prices, or of most prices out of tens of thousands, indicates the operation of a common cause. That cause is the monetary policies of the government itself. Prices do not rise today because businessmen have suddenly become greedier than they were yesterday. We may assume that sellers operating either under competition or monopoly were already charging as much as they could successfully get. The problem is to explain why they can charge more today than they did yesterday, or more this year than last year. If nearly all can charge more, this means that some general condition has changed.

Government price control attempts to ignore this change. That is why government price control always works harm. Attempts to hold down or roll back prices, when they do not merely lead to black markets and quality deterioration, must reduce and disrupt production and distort the balance and structure of production.

Economist John Maynard Keynes was the chief champion of the unbalanced budget through deficit spending.

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When the price of one item, say some necessity such as bread or milk, is held below the price that supply and demand would set in a free market, it reduces the comparative profit margin in making that product and soon creates a shortage of that product. This is exactly the opposite result from the one the government price-fixers had in mind. If, in the effort to cure this, the government tries to hold down the prices of the labor, raw materials, and other factors that go into producing the price-controlled product, the price control must be extended in ever-widening circles, until the government finds itself trying to fix the price of everything.

As there are probably at least 10 million separate prices in the American economy, and as this implies something on the order of 50 *trillion* cross-relationships among prices, the government sets itself a fantastically impossible task. But this does not mean it cannot do immense harm to the economy when it nevertheless undertakes this task.

Wage-Control Hazards

It is ironic that even a "labor" government, once it undertakes price controls to try to prevent the consequences of its own monetary inflation, is finally forced to face the fact that it cannot do this unless it is also prepared to control and hold down wages. This is now happening in England. But a government's wage-control orders are enormously harder to enforce than its price-control orders. If the wage-control is real and rigid, the unions simply defy it; so it finally becomes riddled with loopholes and exceptions, which cause the price-control either to do increasing damage to production or to break down.

A special case of price-control is the attempt to hold down interest rates, either on loans to business or on home mortgages.

At the beginning this looks easier than other forms of price control. It merely seems necessary to issue more money to increase the supply of loanable funds. But when interest rates are reduced in this way, two consequences follow. The lower rates encourage more borrowing, which tends to raise the rates again. And the increased amount of money and credit starts pushing up prices and wages. This forces businessmen to borrow still more if they want to continue to buy even the same volume of inventories and employ even the same number of workers as before to do the same volume of business.

And if, as a result of the increased volume of money and credit, prices have risen, say, 4 per cent in the last 12 months and are expected to rise 4 per cent in the next 12 months, lenders begin to realize that when they get 6 per cent nominal interest on their money they are in reality getting only about 2 per cent.

This is one reason why interest rates in the United States in 1968 soared to record high levels. It is precisely the government effort to hold them down that forced them up—just one more illustration of how government controls eventually bring about precisely the opposite effects of those intended.

The present chairman of the President's Council of Economic Advisers, ignoring the fact that unions cannot successfully raise wages or businessmen prices unless monetary inflation permits it, recently called on business and labor to practice "voluntary restraint" and stop raising prices and wages. But if employers and workers did exercise "voluntary restraint," and deliberately charged less or asked less than they could get in a free competitive market, they would in fact be doing the community a disservice.

The demand and supply of each of thousands of different commodities and services are changing every day. When an increase in the money supply does not falsify the result, the goods and services in most demand rise in price while those in least demand fall. So the profit in supplying the goods in greater demand increases while that in supplying the goods in less demand falls. This causes more to be produced of the goods in more demand and relatively less to be produced of the goods in less demand. Thus the tens of thousands of different goods and services produced in the nation tend constantly to be produced in the proportions in which they are most wanted.

Tony Palcacrolla, center, was the first person to be enrolled under the government's Medicare program back in 1965. He is flanked by President Johnson and then HEW Secretary John Gardner.

Prices are indispensable signals to producers and consumers. They must tell the truth about supply and demand. "Voluntary restraints"—and still worse government "guidelines"—falsify the signals and disorganize and unbalance production.

Monetary inflation is a dreadful thing. But what does immensely more harm even than the inflation itself is the attempt to conceal or suppress its consequences through price and wage controls.

Chapter VI

RUNAWAY RELIEF AND SOCIAL INSECURITY

In the United States federal programs to relieve poverty and unemployment first went into effect on a large scale in the Great Depression. The argument was that they were needed only during the emergency. Since then the nation has enjoyed a return of prosperity, an enormous growth in national income, a fall of unemployment to record-low levels, and a sharp decline (by any consistent definition) in the number and proportion of the poor. Yet relief, unemployment insurance, Social Security, and scores of other welfare programs have expanded at an accelerative rate.

In a 1935 message to Congress President Franklin D. Roosevelt declared:

"The federal government must and shall quit this business of relief. . . . Continued dependence upon relief induces a spiritual and moral disintegration, fundamentally destructive to the national fiber."

The contention then made was that, if unemployment and old-age insurance programs were put into effect, poverty and distress would be relieved by contributory programs that did not destroy the incentives and self-respect of the recipients, and that relief could gradually be tapered off to negligible levels.

Let us look first at what has happened to Social Security itself. Since the original act of 1935 there have been constant additions and expansions of benefits. As early as 1939, both the benefit and tax provisions of the basic act were overhauled. The 1939 package added survivors' benefits.

In 1950 coverage was broadened substantially to include about 90 per cent of the employed labor force. (Initially it had been only about 60 per cent.) The length of working time required to qualify for coverage was sharply reduced.

In 1954 and 1956 there were further liberalizations of coverage. Disability benefits were added. The 1956 amendment dropped the minimum retirement age required for women from 65 to 62.

In 1958 benefits for dependents of disabled workers were added. In 1961 the retirement age for men was also reduced to 62, though with a lower level of benefits than was payable at 65.

The 1965 legislation added Medicare for some 20 million Americans over 65. It made a host of other expensive changes. To the traditional Social Security program it added a 7 per cent across-the-board increase in cash benefits to retired workers.

In addition to other changes, the scale of benefits was increased in 1952, 1954, 1958 and 1965.

President Franklin D. Roosevelt, many will be surprised to learn, vowed that the federal government should get out of the relief business.

The 1967 Social Security amendments increased payments to the 24 million beneficiaries by an average of 13 per cent, raised minimum benefits 25 per cent, increased benefits to non-insured persons over 72, and also increased survivor and disability insurance benefits.

The original Social Security payroll tax was 1 per cent of wages up to $3,000, to be paid both by workers and employers. The combined rate of tax is now 8.8 per cent of wages up to $7,800. This will be raised again to 9.6 per cent in 1969.

But nobody can seriously expect even these greatly increased payroll taxes to pay for the liabilities that the government has already undertaken. W. Rulon Williamson, the actuary for the Social Security Board from 1936 to 1947, estimated even before the latest increases that it would take $150 billion more just to take care of those who were already on the benefit rolls, and that it would probably take at least $1 *trillion* to take care of the families of those who are already paying Social Security taxes, but have not yet retired. That estimate doesn't cover Medicare.

What, meanwhile, has happened to the relief programs that unemployment insurance and Social Security were designed to make unnecessary?

In 1937, the first full year in which the initial federal public assistance programs were in operation, $316 million was paid out to relief clients under the federally aided programs. In 1960 the comparable total had increased more than tenfold, to $3.3 billion.

Though the federal contribution has been mounting steadily during the years, the burden borne by the states and localities has been mounting at an almost equal rate. The amount of public aid alone paid out by the states and localities increased from $624 million in 1935 to $3 billion in 1966. The total of all social welfare expenditures borne by the states and localities alone has grown from $3.3 billion in 1935 to $40.8 billion in 1966, and for 1968 is probably about $46 billion.

Proliferating Programs

The federal budget lists the total cost of "Federal Aid to the Poor" in 1960 at $9.5 billion. For 1969 the cost is listed at $27.7 billion, nearly three times as much.

These figures include the cost of aid to education, work and training, health, cash benefit payments, and other social welfare services. In the current (1969) fiscal year, the federal government places the number of persons on direct relief at 8.8 million. This is an increase of 60 per cent compared with the number 12 years ago, though the rate of unemployment is lower than it was then.

The federal government estimates that there are still about 29 million "poor" by official definition (a family of four with an annual income under $3,335). Not only do the individual programs to "assist" them become more costly year by year, but new programs are constantly being added, though they overlap and duplicate each other. Upward of 70 agencies have been counted operating some 300 programs for uplifting people.

A detailed account of the waste and scandals that have accompanied these proliferating programs can be found in Shirley Scheibla's recent *Poverty Is Where the Money Is.*

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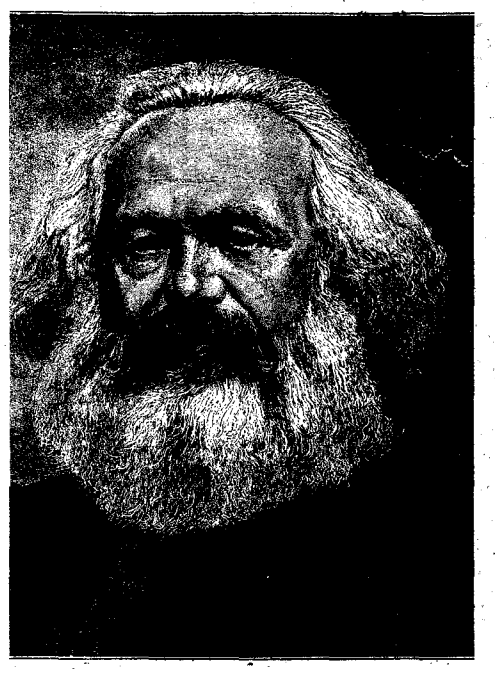
In addition to specific anti-poverty programs, the federal government's total welfare outlays—including agricultural subsidies, housing and community development, health, labor and welfare, education and veterans' benefits—come to a staggering total for the single 1969 fiscal year of more than $68 billion.

Even yet we have not finished. We must add the $46-billion annual welfare cost that falls on the states and localities, to a grand total of more than $114 billion.

Chapter VII

SOAKING THE RICH

Everywhere we turn today we find the welfare state—the state that promises guaranteed jobs, guaranteed incomes, the guaranteed life, security from cradle to grave, the quick if not overnight elimination of poverty. And the principal way in which it undertakes to achieve these goals is to seize from those who have and give to those who have not.



Karl Marx called for a graduated income tax as a means of depriving the "rich" of their economic power.

The main instrument it uses for this purpose is the graduated income tax. In the United States this tax has already been imposed for 55 years. In the beginning it seemed innocent enough. The top rate was only 7 per cent. But in 1925 the top rate had gone to 25 per cent; in 1935 to 63 per cent; in 1940 to 81 per cent; in 1945 to 94 per cent. In the tax cut of 1964 the top rate was reduced to 70 per cent. With the 1968 surcharge it is up again to 77 per cent.

In today's world these confiscatory rates are not exceptional. The First National City Bank of New York recently compiled a table comparing the highest marginal income tax rates in 15 countries. The rates (after rounding out fractions) are:

Italy 95 per cent, United Kingdom 91, Canada 82, United States 77, France 76, Japan 75, Netherlands 71, Austria 69, Australia 68, Belgium 66, Sweden 65, West Germany 55, Denmark 53, Norway 50, and Switzerland 8.

It would be misleading to assume that these top-rate figures necessarily reflect the over-all comparative tax levels in these countries. Italy's 95 per cent rate applies only to incomes above $800,000, whereas Norway's 50 per cent rate applies to all incomes above $13,000. Though Sweden's top income-tax rate is in the lower half of the list, Sweden imposes the heaviest comparative tax load in the world.

What the comparisons do show graphically is how almost universal the soak-the-rich tax philosophy has now become. An elaborate rationalization, on grounds of "social justice" and "ability to pay," has been built up for progressive tax rates since the beginning to recognize that all arguments in support of progression can be used to justify any degree of progression.

Certainly there is no evidence that the steeply progressive rates have helped the poor. On the contrary, these confiscatory rates clearly undermine incentives, reduce production and capital accumulation, and leave less to be shared by everybody.

The earliest sponsors of the progressive income tax recognized this, but they had other aims in mind. In the Communist Manifesto of 1848, Marx and Engels frankly proposed "a heavy progressive or graduated income tax" as an instrument by which "the proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeois, to centralize all instruments of production in the hands of the state" and to make "despotic inroads on the right of property, and on the conditions of bourgeois production."

Progressive rates of income taxation are not necessary to raise great revenues. A simple calculation, based on the Treasury's own figures for 1965, shows that, with the same existing exemptions and deductions, a flat rate of 19.5 per cent would have raised all the revenue raised from the scale of rates ranging from 14 to 70 per cent.

On a similar calculation, if all the rates now above 50 per cent were reduced to that level, then (on the basis of 1965 income tax returns) a maximum of $373 million would be lost. This is not enough to run the government, at present spending rates, for a single day. If all incomes over $100,000 were taxed at a rate of 100 per cent, the maximum revenue gain would be $200 million.

For 1965, 70 per cent of the total income tax was paid by people with adjusted gross incomes under $20,000, for the simple reason that these people constituted 97.5 per cent of all income-tax payers, and that they collectively reported more than 80 per cent of the country's taxable income.

It is not only in the U.S. that the actual revenue yield from the higher income-tax rates is negligible. In Great Britain, the fiscal year 1964-65, total government revenues were 8,157 million pounds, the revenue from the personal income tax 3,088 million pounds, and the revenue from the surtax 184 million pounds. In other words, the revenue from all the surtax rates (ranging above the standard rate of 41.25 per cent up to 96.25 per cent) yielded less than 6 per cent of all revenue from the income tax, and barely more than 2 per cent of Britain's total revenues.

In Sweden, in 1963, individuals paid first a local proportional income tax averaging about 15 per cent; then on the rest of their income, they paid progressive national taxes ranging from 10 to 65 per cent. A study published by the Swedish Taxpayers' Association found that the basic national income-tax rate of 10 per cent brought in about 70 per cent of total national income-tax revenue; that if the maximum national rate had stopped at 25 per cent, the tax would have brought in 90 per cent of its then revenue; and that if the maximum rate had stopped at 45 per cent, the government would have received 99 per cent of its actual revenue. In short, the study found that the rates between 45 and 65 per cent brought in only 1 per cent of total national income-tax revenue.

The unavoidable conclusion is that the progressive rates of income tax everywhere, and especially those above 50 per cent, are imposed not to raise revenue, but merely to satisfy vindictiveness and envy.

Yet perhaps the most serious evil of the progressive income tax is that it produces the *illusion* in the overwhelming majority of taxpayers that the "rich"—meaning the people in the brackets above them—are really paying for most of the benefits that the majority get from the government. This illusion is probably shared in the U.S. even by single taxpayers with taxable incomes just above $7,000, who are in fact paying more than the 21 per cent average rate that is yielding the present fiscal 1969 revenue. This illusion leads them to accept complacently a burden of government expenditure and taxation that they would not otherwise tolerate.

Though this aspect of progressive income taxation receives practically no attention today, its menace was recognized as early as 1899 by W.E.H. Lecky:

"Highly graduated taxation realizes most completely the supreme danger of democracy, creating a state of things in which one class imposes on another burdens which it is not asked to share, and impels the State into vast schemes of extravagance, under the belief that the whole costs will be thrown upon others."

Chapter VIII

GOVERNMENT UNLIMITED

Since the outbreak of World War I in 1914, there has been an ominous growth in governmental power and intervention not only in the United States but practically all over the world. Woodrow Wilson once declared: "The history of liberty is the history of limitations of governmental power, not the increase of it." This ought to be self-evident. The greater the area of human conduct controlled by government, the smaller the area left to the individual's own control. The greater the government's power to forbid and restrict, the smaller the individual's power to choose for himself.

The growth of governmental power may be measured in terms of dollars spent, bureaucrats employed, or spheres of activity controlled.

In 1914 the federal government was spending only $725 million a year; in fiscal 1969 it is spending $186 *billion* a year—256 times as much.

In 1967 the number of federal civilian employes totaled 2.877 *million*; the number of state and local employes 8.898 million, bringing the number employed in all government units up to 11.775 million.

In 1954 the Hoover Commission found that the federal government embraced no fewer than 2,133 different functioning agencies, bureaus, departments and divisions. As federal expenditures have more than doubled since 1954, and the number of federal employes increased by 25 per cent, the present agency count may now exceed 2,500.

This estimate would be warranted by the known proliferation of "Great Society" agencies. One calculation in 1967 counted more than 100 new federal programs enacted by Congress since 1955. Another counted 21 different federal health programs, 17 for education, 15 for economic development, 12 on urban crises, four for manpower training, 17 on natural resources, and so on. Even a prominent former interventionist confessed himself appalled by the "fantastic labyrinth of welfare programs" and the way in which the swift growth of federal power is diminishing the significance of the individual citizen.

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The growth of government power progressively breeds the growth of still more government power. The 86,000 permanent employes in the Department of Agriculture, to take but a single instance, all have a vital full-time economic interest in proving that the particular subsidies and controls they were hired to formulate and enforce should be continued and expanded. What chance does the individual disinterested citizen, even if he has time to master the facts about the agricultural programs, have in arguing against this particular bureaucratic army of 86,000?

Entrenched Bureaucrats

The life of the citizen as worker, employer, enterpriser, investor, or consumer is controlled by scores of federal agencies.

Outstanding among them are the Federal Trade Commission, the Securities and Exchange Commission, the Internal Revenue Service, the Interstate Commerce Commission, the Food and Drug Administration, the Federal Communications Commission, the National Labor Relations Board. All these agencies issue rules and regulations, grant licenses, issue cease-and-desist orders, award damages, and compel individuals and corporations to do this or refrain from that. They often combine the functions of legislators, prosecutors, judges, juries, administrators. Their decisions are sometimes capricious, arbitrary, and unauthorized even by existing law. Yet when they inflict injury on corporations or individuals, or deprive them of constitutional liberties and legal rights, appeal to the courts is often difficult, costly, or impossible.

The steady expansion of governmental powers also breeds nepotism and corruption in government and helps those already in power to entrench themselves —to prolong or perpetuate their hold on power. A New York *Times* survey of patronage in the city and state (June 17, 1968) found that "patronage has vastly expanded in the last several decades because of the tremendous growth of government, spiraling government spending, and the expansion of government's discretionary powers to regulate, control and supervise private industry."

Yet arbitrary government power is being multiplied daily by the now practically unchallenged assumption that whether there is any problem of any kind to be solved, government is the agency to step in and solve it.

Government lawmakers or officials either already have or demand the power to tell us just how much oil or sugar we may import, just how many acres we may plant to what crops, just how foodstuffs should be packed and labeled, just how steel and copper and drugs should be priced, just what interest rates should be charged and how they should be calculated, just how automobiles should be made, just what kind of artificial eyes should be permitted, just what one group of people must do and another group must not do, just what groups should be subsidized, and by how much, and just what groups should be forced to subsidize them.

Should anybody be surprised that there has been an appalling growth of crime, an outbreak of riots and a breakdown of law enforcement? The more things a government undertakes to do, the fewer things it can do competently. When the government tries to do everything it must do everything badly.

Above, a busy day at the New York Stock Exchange. Hazlitt notes that a stronger private enterprise establishment can alleviate the country's economic woes.

The essential function of the state is to maintain peace, law and order and to protect the individual citizen against aggression, violence, theft and fraud. More than a century ago Herbert Spencer was pointing out that "in assuming any office besides its essential one, the State begins to lose the power of fulfilling its essential one." As more and more functions are assumed by the state, the truth of this becomes more and more obvious.

This brings us back once again to the warning of the Swedish economist Gustav Cassel more than 30 years ago: "The leadership of the state in economic affairs, which advocates of Planned Economy want to establish, is . . . necessarily connected with a bewildering mass of governmental interferences of a steadily cumulative nature. The arbitrariness, the mistakes, and the inevitable contradictions of such a policy will, as daily experience shows, only strengthen the demand for a more rational co-ordination of the different measures and, therefore, for unified leadership. For this reason Planned Economy will always tend to develop into Dictatorship."

In more concrete terms, the process usually runs like this: A hundred welfare programs, spending more and more billions, lead to chronic budget deficits, which lead to increased paper-money issues, which lead to higher prices. The government then denounces the sellers as "profiteers" and starts fixing ceilings on individual prices. Next it is led inevitably into the impossible task of trying to fix all prices and wages, which leads it to setting up allocations and quotas of production for each producer and rationing for each consumer, and so to control of everybody's means of livelihood and survival.

And as Alexander Hamilton once put it: "Power over a man's subsistence is power over his will."

Chapter IX
WHAT WE CAN DO ABOUT IT

If the welfarist-Socialist-inflationist trend of the last seven years continues in this country, the outlook is dark. It is a prospect of mounting taxation, snowballing expenditures, chronic deficits, a budget out of control, an accelerating rate of inflation of the kind endemic in Latin America (at least for the last generation), a collapse of the dollar, increasing world currency chaos, and more and more ruthless price, wage and exchange controls, leading toward a regimented economy and dictatorship. And if this trend is interrupted temporarily, it may be by riots, assassinations and a breakdown of law and order.

But it is within our power not only to avert this nightmarish prospect, but to restore order, constitutionalism, limited government, economic and personal liberty, internal peace, and stable prosperity and growth.

The remedies we must apply are implicit in the evils already described. We must halt and in most cases reverse the "remedies" that have brought us to our present predicament. Let us indicate the real cures in the same order as the chapters in which we discussed the disease.

1. We must start reducing the grossly over-extended powers of all levels of government, local, state and federal. We must start decentralizing power, not only from the federal government back to the states and localities, but *within* each level of government, especially the federal. The powers of the American presidency have grown beyond the ability of any human being to exercise them responsibly and wisely.

The crying need today is not for more laws, but for fewer. The world must be saved from its saviors. If the friends of liberty and law could have only one slogan it should be: Stop the remedies! Stop the remedies! Or even shorter: Repeal! Repeal!

2. Stop the profligate spending. Stop the deficits. Return to balanced budgets as the norm rather than the exception. Stop the constant increase in the national debt. Stop the inflation.

3. To stop the inflation, the government must stop expanding the issue of paper money and credit. Certainly it must reduce the rate of that increase.

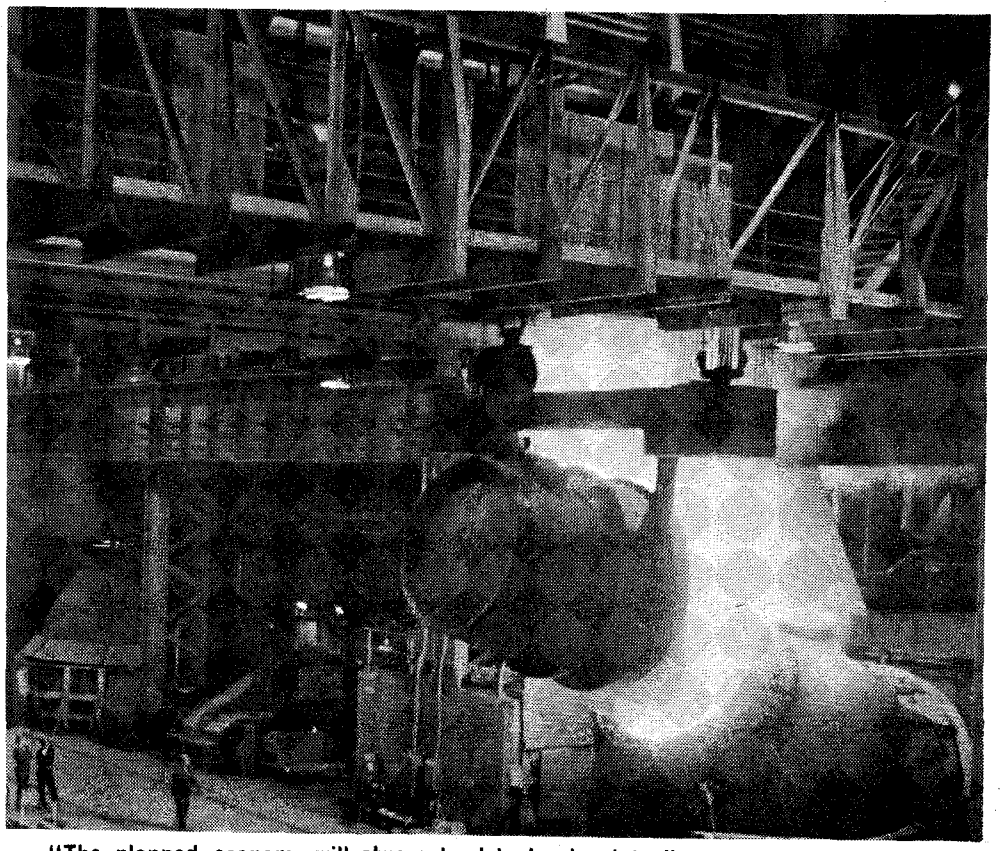
The International Monetary Fund ought to be dismantled. The Articles of Agreement should at least be amended to remove all provisions that oblige the strong currencies to support the weak—in other words, that oblige the countries that manage their fiscal and monetary affairs prudently to support those that mismanage their monetary affairs altogether; that oblige the "surplus" countries to support the "deficit" countries; that permit debtor countries to put off payment in gold indefinitely and compel other countries to become or remain their creditors. This means that the "special drawing rights"—"paper gold"—should never be permitted to come into existence.

Return to Gold Standard

The "gold-exchange" standard (more accurately, the dollar-exchange standard) should be liquidated. This means that the United States should stand ready to redeem in gold on demand the present dollar-holdings of foreign central banks, and that these banks should by a self-denying agreement refuse to increase their present holdings of dollars as part of their official "reserves," and provide for at least the gradual liquidation of such holdings.

The U.S. government should abandon all exchange controls, all attempts to forbid, restrict, or penalize foreign travel, or purchases of imports, or foreign investment. Certainly not least, the government should repeal its 35-year-old prohibition on the purchase, sale, or ownership of gold by its own citizens.

The United States should plan for eventual return to a full gold standard. This will probably now have to be by stages. What seems most likely at the moment of writing is that we shall soon find ourselves off even the token gold standard we are now on. We will be prob-



"The planned economy will always tend to develop into dictatorship," says Swedish economist Gustav Cassel.

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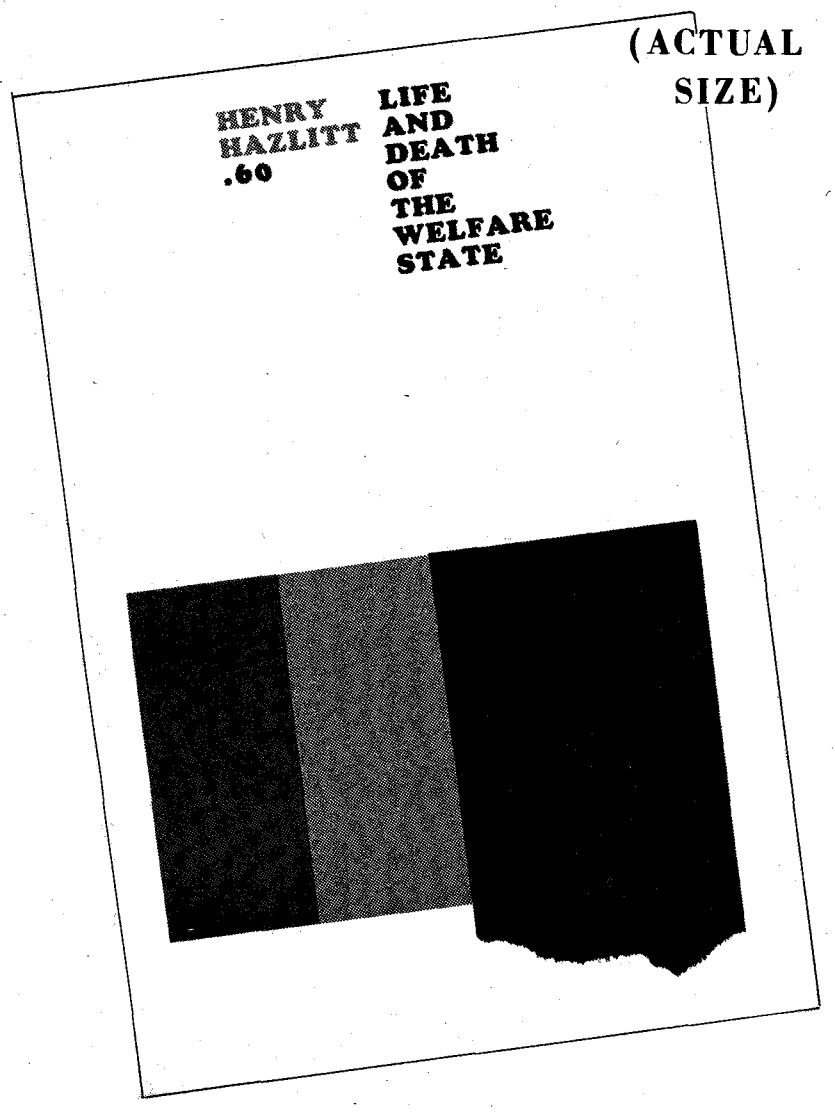

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ably unable to set up a full gold standard except at a much higher dollar-price for gold than the present $35 an ounce.

But it is too early to specify all the conditions of such an eventual return to gold. All we can say now is that, as long as the world's money continues on a flat paper basis, there will be monetary unreliability and unsettlement, if not monetary chaos

4. Repeal all minimum wage laws. Repeal the Norris-LaGuardia Act of 1932. Repeal or drastically modify the Wagner-Taft-Hartley Acts of 1935 and 1947. Stop legally compelling employers to continue negotiating with unions that are making unreasonable or exorbitant demands. Allow struck employers to try to continue their business peaceably with non-strikers or with replacements for strikers. Forbid all intimidatory mass picketing. Enforce existing common law or written statutes against intimidation, vandalism and violence. Reduce the Taft-Hartley Act to a simple prohibition of discrimination against either union or non-union workers. If the unions refuse to accept this two-sided prohibition, repeal the law entirely.

5. Let the government refrain from all "guidelines" for prices or wages, all controls of prices, wages, interest rates or rents, and all threats of such controls.

6. Stop the continuous increase in the national burden of Social Security, housing subsidies, farm subsidies, and the rest of the proliferating "anti-poverty" programs.

Some Specific Proposals

Only three or four specific suggestions can be offered here:

Several eminent economists (notably Prof. James Buchanan and Colin Campbell) have shown how Social Security could be converted from its present ambiguous but compulsory mixture of insurance and relief to a voluntary insurance program.

Federal grants to the states and localities to pay for relief and "anti-poverty" programs should either be discontinued entirely or made only to the poorer half or even the poorest fifth of the states. The latter plan would take the political profit out of federal grants-in-aid.

There should of course be no attempt to seize the earnings of those who work in order to provide "guaranteed incomes" to those who won't work.

All personal relief and assistance payments should be made in the form of repayable loans. This would reduce the applications for relief payments, and at the same time help to maintain the self-respect of the relief recipient. The recipients of relief loans would be under no legal obligation to repay the loans, but as long as they remained unpaid the voting privilege would be suspended.

The army of relief and other subsidy recipients will continue to grow, and the solvency of the government will become increasingly untenable, as long as part of the population is able to vote to force the other part to support it. Such eminent 19th and early 20th Century liberals as John Stuart Mill and A.V. Dicey agreed that the franchise should be withheld from the recipient of poor relief as long as he remains on relief. If the fear of offending or the temptation to propitiate such voters were removed, there would be a startling improvement in the quality of candidates for office. The whole tone of our public life would be raised.

7. The graduated personal income tax should be abandoned in favor of a strictly proportional income tax. The argument against the "progressive" tax rate was conclusively stated as long ago as 1833 by the Scottish economist J. R. McCulloch:

"The moment you abandon the cardinal principle of exacting from all individuals *the same proportion of their income or of their property*, you are at sea without rudder or compass, and there is no amount of injustice and folly you may not commit."

It is also clear that no income tax rate above 50 per cent should be permitted. It is prima facie confiscation when a man is allowed to keep less than half of his earnings for his own family.

Arthur Okun (above) is currently the Chairman of the President's Council of Economic Advisers.

We have already seen that the income tax rates above 50 per cent raise negligible revenue, and that even with present profligate spending a flat income-tax rate of 21 per cent would raise all the revenue now being raised from the whole range of rates from 14 to 77 per cent. The desired reform, therefore, could be brought about in a decade by a simple law providing that for each of the next 10 years each lowest rate above 20 per cent would be successively reduced to that figure and each highest rate above 50 per cent successively dropped.

8. The present appalling power and omnipresence of government must be forced back within tolerable limits. Government, as all true liberals since Adam Smith have recognized, has only three duties to attend to: first, the duty of protecting the nation against attempted aggression or invasion from any other nation; secondly, the duty of protecting every member of the community from the aggression, injustice, or oppression of any other member; and thirdly, the duty of performing certain functions that it is not in the interest of any single individual or small group of individuals to undertake.

Only if the modern state can be held within such a strictly limited agenda of duties and powers can it be prevented from regimenting, conquering and ultimately devouring the society which gave it birth.

The solution to our problems is not more paternalism, laws, decrees and controls, but the restoration of liberty and free enterprise, the restoration of incentives, to let loose the tremendous constructive energies of 200 million Americans.

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Decline of American Naval Power

By RALPH de TOLEDANO

Now that President-elect Nixon has named his Cabinet, the press and the nation can return to other speculative problems. The men Mr. Nixon has named will, after all, be entrusted with finding some answers to the domestic and international miseries of our times—and it will be the task of American public opinion to keep their feet to the fire.

Of paramount importance to the new Administration when it takes office will be the whole question of national security. To many, this boils down to the relative positions of the United States and the Soviet Union in the nuclear competition. But this is simplistic.

A report just issued by the House Armed Services Committee compares United Sates and Soviet naval power. The Kennedy-Johnson Administration, relying on former Secretary McNamara's judgment, allowed America's position as the dominant naval power to decline—even as it allowed Secretary McNamara to "phase out" almost to impotence the Strategic Air Command, once the most powerful flying force in the world.

The House committee report, prepared from unclassified sources by a group of leading experts of the American Security Council, tells a frightening story. Just the crude statistics tell the tale.

Here is a comparison of the naval power of the two nations, and it is well to remember that as late as 1963, the top military planners of the Kremlin stated bluntly that "the world's oceans will be the [Soviet] navy's theater of military operations."

The standings in operational strength:

- Attack submarines: U.S.A. 105; USSR 250.
- Missile submarines: U.S.A. 41; USSR 100.
- Surface-to-surface missile ships: U.S.A. 0; USSR 25.
- Conventional destroyers: U.S.A. 177; USSR 86.
- Minecraft: U.S.A. 86; USSR 300.
- Missile patrol boats: U.S.A. 0; USSR 150.
- Helicopter carriers: U.S.A. 8; USSR 3.
- Anti-submarine warfare carriers: U.S.A. 16; USSR 0.
- Attack carriers: U.S.A. 16; USSR 0.
- Battleships: U.S.A. 1, USSR 0.

To these statistics must be added one single fact: The Soviet Union continues to build up its naval power almost on a crash basis, whereas the United States dawdles along without any plan.

The emergence of the Soviet fleet into the Mediterranean has begun to wake up some of the military planners at the Pentagon. But so far little has been done. The one battleship we have operational today was taken out of mothballs for use in Vietnamese waters. But Congress and the Pentagon have been in futile debate over the strengthening of our attack and missile submarine fleets—with Adm. Hyman Rickover, who battled successfully for the Polaris and other nuclear submarines, vainly warning that time is running out.

One point made by the House Armed Services Committee report should shake up the Congress and the Pentagon, given Mr. Nixon's interest in the matter. Let me quote:

"At the time of the Cuban crisis, the Soviets had an immensely powerful ground army and a large rocket force, but they were still militarily handicapped because they lacked strategic mobility. The geographical position of the Soviet Union makes difficult the effective application of military forces. This was apparent during the Cuban crisis when the lack of a strong surface fleet seriously hindered the USSR. The Soviets realized that they were incapable of bringing their power to bear in remote regions because they lacked ships. Now, the situation is changing rapidly. The presence of a Soviet squadron in the Mediterranean, for example, has produced a new power balance there."

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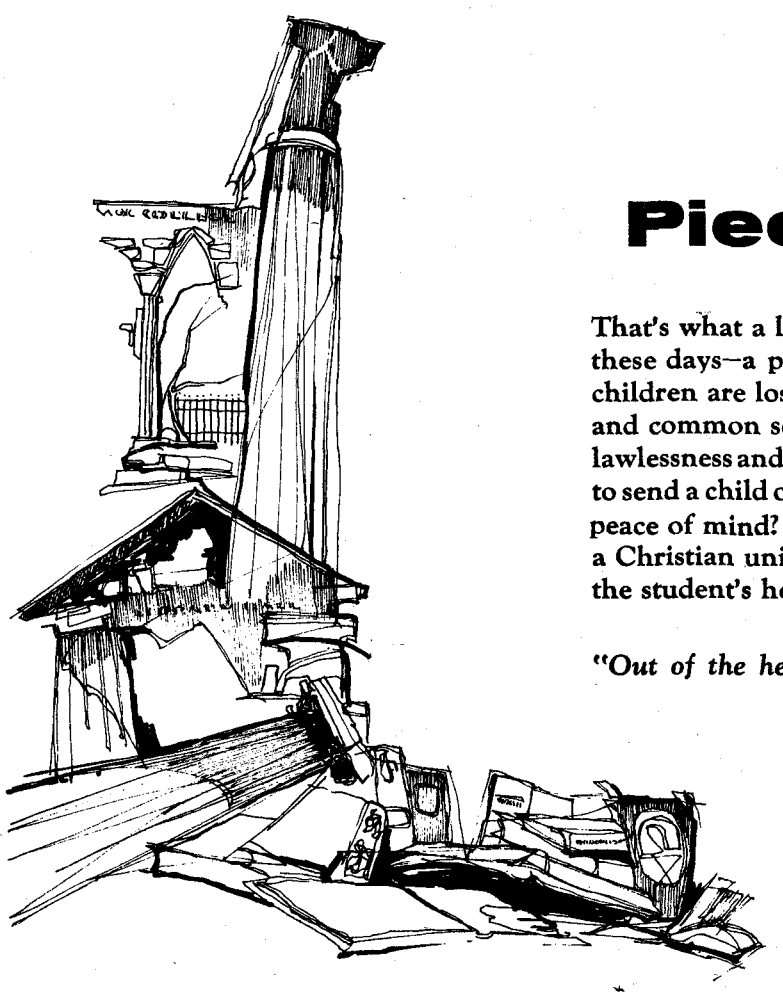

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So You Think It's Easy to Be a Conservative?

By HARVEY H. HUKARI

(Mr. Hukari, a graduate student in communications at Stanford University, was a journalism student at Human Events *this past summer. The article below originally appeared in the* Stanford Daily.)

During the past two weeks a whole new world of intellectual masochism has opened up for white liberals at Stanford. Johnie Scott, our very own black militant, has started to write a column for the *Daily*. Since Ram's Head was unable to provide enough money for the production of the play he wrote for Gaities, Mr. Scott has decided to turn his attention and talents to the task of exposing racism wherever he can find it.

It is my prediction that his efforts will be met with overwhelming praise and enthusiasm, not because Mr. Scott is a very fine and interesting writer or because his charges and revelations may be accurate, but simply because he is a black man telling all those white liberals and radicals how bigoted, prejudiced, morally corrupt and racist they really are.

Naturally, they'll love it. To understand the nature of the white liberal's response to Johnie Scott or Eldridge Cleaver is to understand their curious need to feel guilty. The vast bulk of the Stanford student body comes from that great morass of white suburban ghettos circling our major cities which are characterized by affluence, comfort and sterility. After a few quarters at the big university some students start becoming self-consciously alienated and begin to reject only the more crass aspects of the cult of materialism which spawned them.

They drive down the Row or past Branner in their shiny Mustangs just like they used to drive down the main street of Winnetka or West Covina, only now they wear un-ironed blue work shirts instead of stylish turtlenecks. There aren't too many pressing social problems at Stanford but they soon learn that if one wants to, one can be concerned about social injustice and it won't hurt a bit.

Every week some speaker from the outside world will come to Dinklespiel or Cubberley and share with them the vicarious thrill of being an exploited grape worker in Delano, a downtrodden peasant in Guatemala or a black person living in poverty and despair in East Oakland. Understandably, the average great white hope for the future of America becomes concerned. He puts a Cranston sticker on the back of his Pontiac and decides not to eat grapes for an entire week. Commitment.

Yet with all of that there still might be something missing, something which can provide that pleasant feeling of guilt on a regular basis, and then along comes Mr. Scott with his column. Yessuh, good ol' Johnie Scott is sure an expert at whipping the consciences of all those liberal white folks at Stanford who need to feel guilty about the fact that they're white and Johnie Scott is not. Why, on the days when his column appears in the paper, you can hear the screams of ecstasy from all over campus, "Oh, hit me again, Johnie, it feels so good."

What is so disquieting about this phenomenon is that there are many here among us who are perfectly willing to accept Mr. Scott's charge that Stanford is a racist institution which is committing cultural genocide against black people. No thought is given to the possibility that the real discrimination which exists at this university is against creativity, free thinking and those who refuse to accept the intellectual dictums handed down by a liberal academic establishment.

Striking San Francisco State College teachers march in support of the student rebels at that embattled university. Author Hukari points out that liberals aren't the only ones having problems in the academic community.

Listen, Johnie Scott, as far as Stanford is concerned, you are one of the chosen few. Those liberal white administrators and professors are going to do everything they can to make life beautiful for you. They're going to give scholarships to your black brothers and sisters, offer them employment, listen to your complaints and demands and point to you proudly as fine examples of how liberal they really are. And the only thing you have to do is make them feel guilty.

You, Johnie Scott, may be sick of all those stereotyped visions in which blacks eat watermelons, lust after white women, tap dance and pick cotton. Well, I'm sick of all those stereotypes of Conservatives in which they are portrayed as greedy, sexually obsessed businessmen, puritanical little old ladies with hair growing out of their ears and trigger-happy Army generals who are paranoid about communism.

The niggers at Stanford are no longer black students, they're conservatives. The administration doesn't give a damn about the moderates or the conservatives on campus because they know that we're not going to sit in the Old Union or try to burn down Encina Hall.

You're sick of racism and I'm sick of having to be exposed to the intellectual hypocrisy vomited forth daily in classrooms all around the Quad by professors who make snide references to Ronald Reagan, misrepresent the meaning of conservatism, allow their teacher assistants to make appeals for the Peace and Freedom party in class and treat students who may profess a certain affinity for free enterprise and individual responsibility with the condescending attitude which one reserves for the mentally retarded.

I'm sick of being taught by those refugees from reality, whose only saving grace is that they have tenure, and then being told that I'm receiving a liberal education. I'm sick of seeing political work for liberal candidates being done by university employes on university time and with university facilities. Richard Nixon is supposed to be selling out to the racists because he chose Spiro Agnew as his running mate, but no liberal professor even bothered to explain to me why that great liberal Adlai Stevenson wasn't being a racist when he took John Sparkman of Alabama as his vice presidential candidate in 1952.

I'm tired of professors who speak strongly about academic freedom and then assign a reading list which does not contain one author whose political philosophy is to the right of *Ramparts* magazine. The Black Student Union wants to know how many black people are in teaching positions at Stanford. I want to know how many Republicans there are on the faculty of the political science department.

You think having black skin is some kind of a drawback here? Try wearing a Nixon button to class. If you try to point out that Barry Goldwater had some valid programs for ending the draft and curtailing the growth of government power, your fellow students smile and shake their heads in mock pity. If you acknowledge in class that you are a conservative, immediately you are marked as a Bircher, a racist, an advocate of nuclear bombing and as a fundamentalist Baptist.

You think that black people are the only ones who have trouble with discrimination and stereotypes in an academic community? Pass that watermelon over this way, Johnie.

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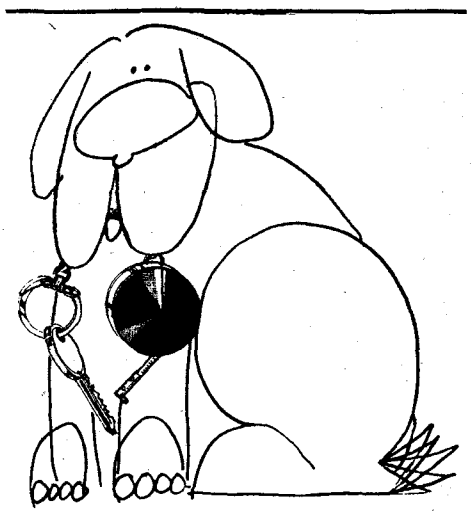

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Kremlin Seeks to Solidify Red Bloc

By PAUL SCOTT

There is an aggressive new theme running through leading Soviet Communist party periodicals and the political speeches of Kremlin leaders.

The clarion call to all Communist leaders is: The Moscow-led international Communist movement must be fully restored and the grounds prepared for a world-wide Communist political offensive in 1969.

Aimed primarily at the U.S. and West Germany, the Red political drive is to be launched next May at a Communist summit meeting in Moscow.

In preparing for "the second coming of the revolution," Moscow already has made four moves designed to tighten its hold over the Communist community in Europe and the international Communist movement:

1. In the military field community discipline and preparedness have been strengthened by the recent Bucharest conference of Warsaw Pact powers (November 26 to 30). All members agreed to increase their military spending.

2. In the political field the Soviets obtained an agreement to hold a Communist summit in Moscow next May. The agreement was reached at a conference of 67 Communist parties at Budapest (November 18 to 21).

3. In the economic field the screws were tightened at the 37th Moscow session of the Executive Committee of COMECON, the Soviet's Council of Mutual Economic Aid (November 26 to 28).

4. In the cultural field Moscow succeeded at a conference of Ministers of Culture in Sofia (November 25 to 27) in tightening the door against Western influence. Cultural exchanges are to be increased inside the Soviet bloc.

The Kremlin's timing of the four meetings, according to U.S. intelligence authorities, is considered of great significance since all followed the U.S. presidential elections.

All decisions indicated that the Kremlin would take an "aggressive stance" in dealing with the new Nixon Administration. This was made clear by a new Soviet call for Warsaw Pact nations to increase arms shipments to both North Korea and North Viet Nam.

Most important of these post-election Communist strategy meetings was the Warsaw Pact nations' military gathering in Bucharest under the chairmanship of the Alliance's commander-in-chief, Soviet Marshal Ivan I. Yakubovsky.

During those talks, Rumania was brought firmly back into the Warsaw Pact. Under Soviet pressure, Rumania agreed to permit large-scale Warsaw Pact maneuvers on its soil next year. Upward of 100,000 Soviet troops will take part in the military exercise.

At the Budapest conference plans were laid for a tighter political party grouping inside the Soviet bloc in Eastern Europe. What Moscow is seeking is ratification of a new "law" which the Kremlin recently put into effect with military force in Czechoslovakia.

This makes it legal for Moscow to do as it pleases with any nation within the Socialist orbit. It requires all Communist parties around the world to hew to the line of "proletarian internationalism." Basically, this means Moscow calls all the shots in the interest of world revolution.

At the Soviet bloc economic meeting in Moscow, the course was set for a new try at politically motivated economic integration.

This was the line advocated by Polish Communist party chief Wladyslaw Gomulka at his party's November Congress. He agreed to support a Soviet proposal for the establishment of a planning center for all member countries as proposed by former Premier Nikita Khrushchev in 1962.

In Sofia the Soviet bloc cultural ministers laid plans for recruiting spies among students just starting universities and involved in anti-war movements in the U.S. and Western Europe.

The new generation of spies will replenish the Kremlin's existing army of agents estimated to number nearly 350,000 throughout the world.

The young agents are being instructed to bide their time until they graduate and can obtain influential jobs where they have access to state secrets and can effect policy.

"The private and professional life of the students is set down by their Communist contacts and planned in advance," one intelligence memorandum states. "In addition to receiving funds to complete their college education, these students are instructed on the organizations that they should join."

"Occasionally these are specific assignments—like getting friendly with the daughter of a politician or top official and securing admission to his home," the memorandum added.

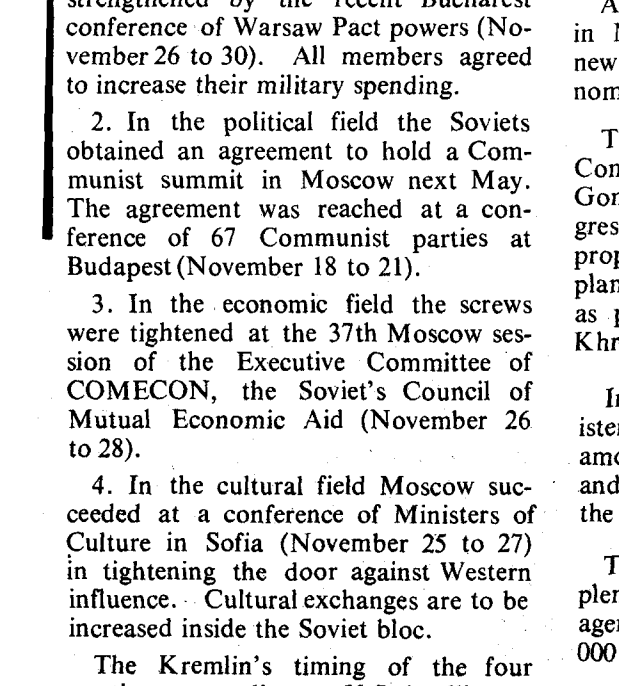
The Kremlin's new strategy is also clearly outlined in a new syllabus for international Communist action prepared by Mikail A. Suslov, the Soviet's chief ideologist.

Under the Suslov plan, main theaters of future Communist operations will be the advanced capitalist countries of Western Europe and North America rather than the underdeveloped countries of the world.

Communist leaders are instructed to use riots and strikes to "bring about the isolation of the more aggressive and more reactionary circles inside U.S. and Western Europe."

Suslov directed that "the Communist struggle be directed in these countries primarily against the police and military establishments." The immediate task, he declared, is to mobilize a broad-based coalition to force new curbs on both groups.

"Ultimately," stated Suslov, "these curbs will lead to conditions essential for the final direct struggle for socialism in these countries."



Soviet Foreign Minister Andrei Gromyko, in center, listens as Red Premier Alexei Kosygin (right) and U.N. Ambasssador Nikolai Fedorenko confer during a U.N. meeting. It appears that the Soviets will attempt a hard-line stand in world affairs as the Nixon Administration takes over.

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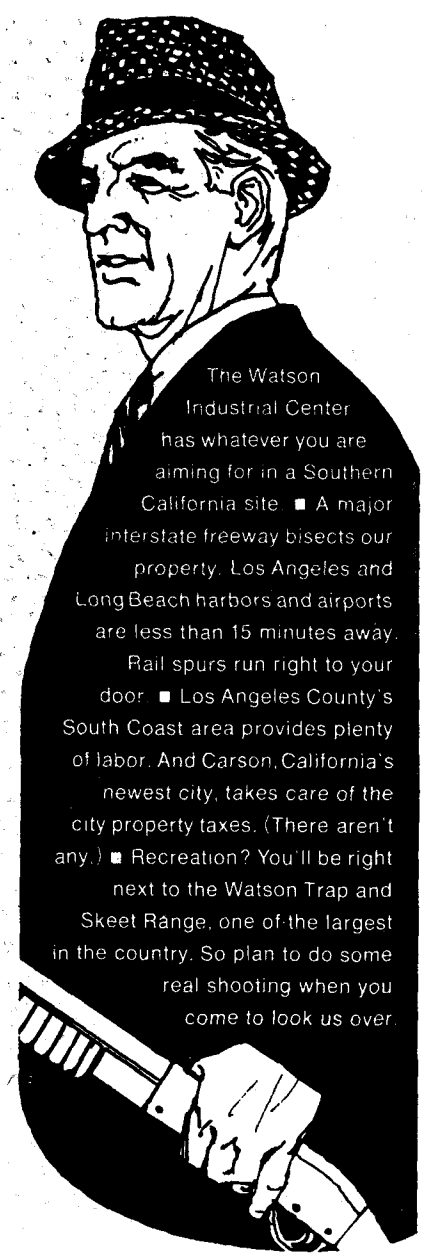
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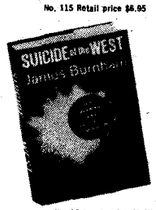

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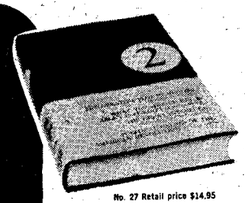

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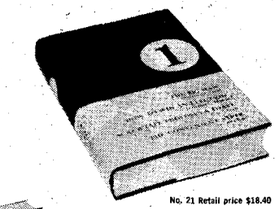

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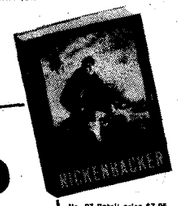

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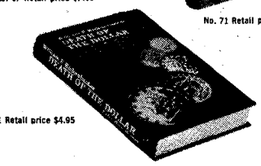

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